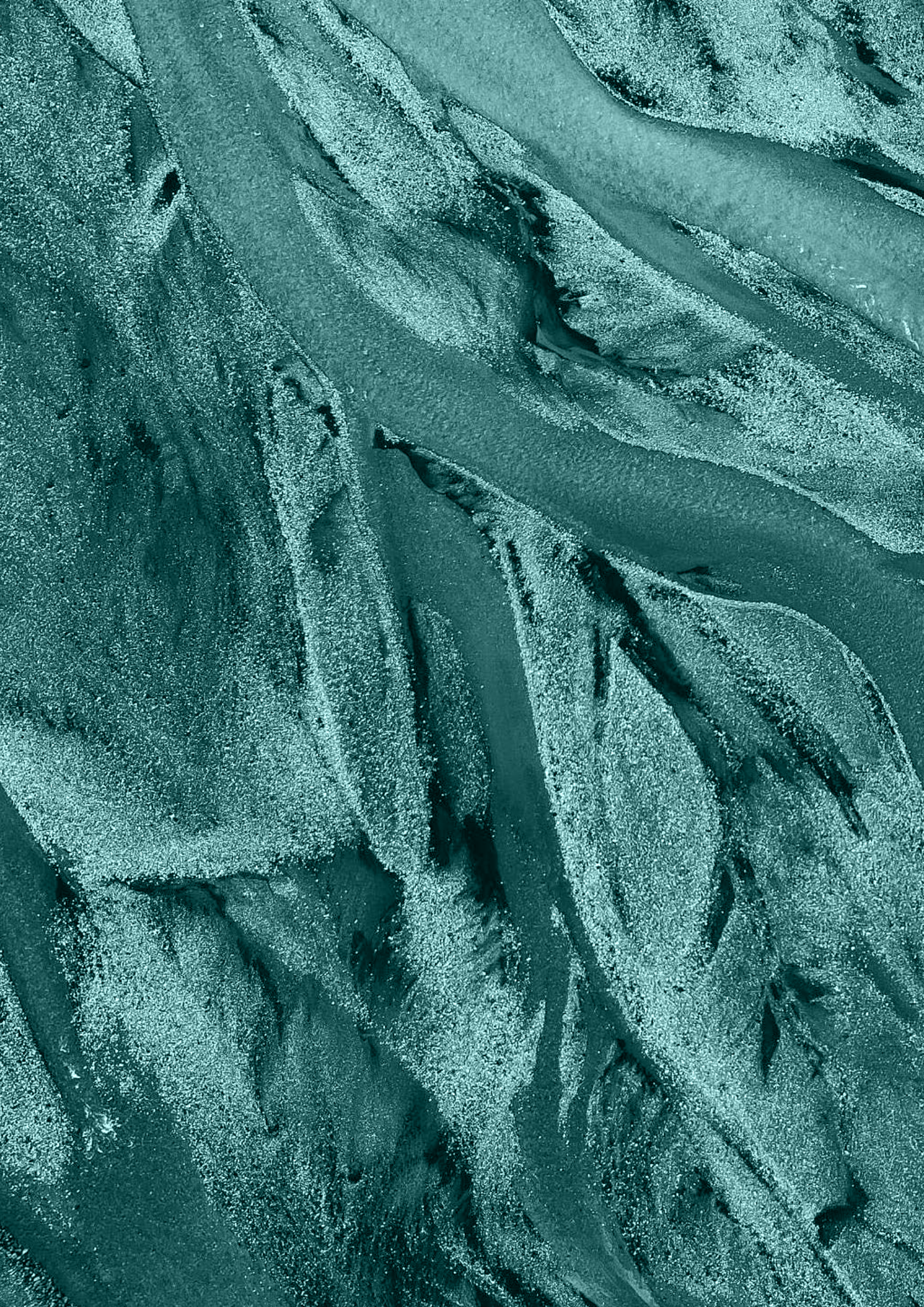
Integrated report 2022

Hydrogen pro



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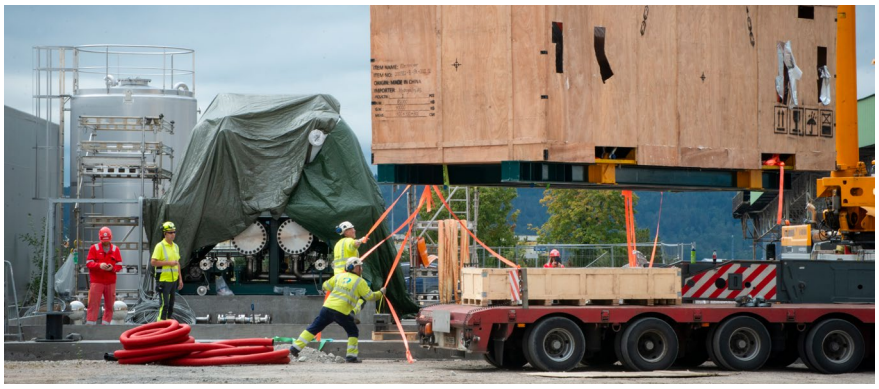
About us:
This is HydrogenPro

Key achievements



Awarded purchase order for the world's largest green hydrogen project

HydrogenPro has started recognising revenue and progressing on delivery to the Advanced Clean Energy Storage hub (ACES) project, the world's largest green hydrogen project. HydrogenPro has also signed a 10-year service and support agreement on the ACES project. HydrogenPro will complete the manufacturing of the electrolyser systems in H2 2023, followed by on-site work with completion in late 2024.

World's largest electrolyser shipped and validated at Herøya – setting a new industry standard

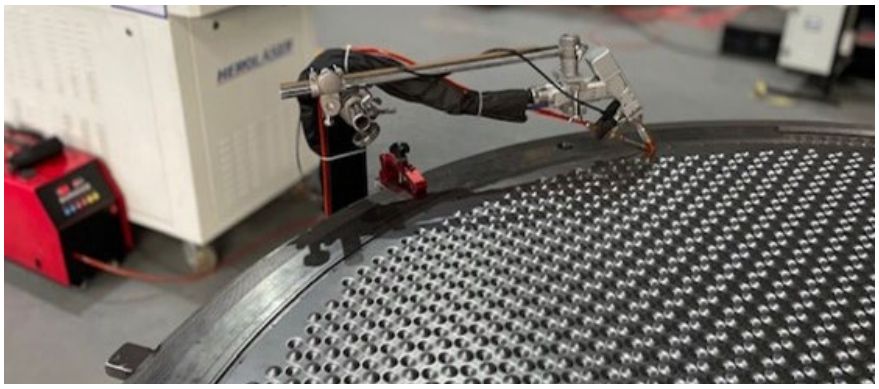
The world's largest high-pressure alkaline electrolyser was shipped from Tianjin, China to Herøya Industrial Park in July 2022. The 5.5-megawatt electrolyser has been validated to produce 1,100 Nm3/h hydrogen at normal current density. This equals 100 kg of pure green pressurised hydrogen per hour, setting a new standard for the industry. This is proof of concept that our electrolyser and gas separator technologies will produce and process hydrogen on a large scale.

300 MW Tianjin factory completed and in production

HydrogenPro completed upgrade of the manufacturing plant in Tianjin, China in late 2022. The company has invested significantly in upgrades and by the end of the year, the factory had approximately 100 employees and an annual capacity of 300 MW. Manufacturing is ramping up from early 2023.

Successfully listed on the main list of Oslo Børs

On 3 October 2022, the first trading day on the main list of the Oslo Stock Exchange took place following an uplisting from Euronext Growth. This opens a significantly larger investor base and positions the company for further growth.



DG Fuels project in Louisiana has secured 100% offtake agreements

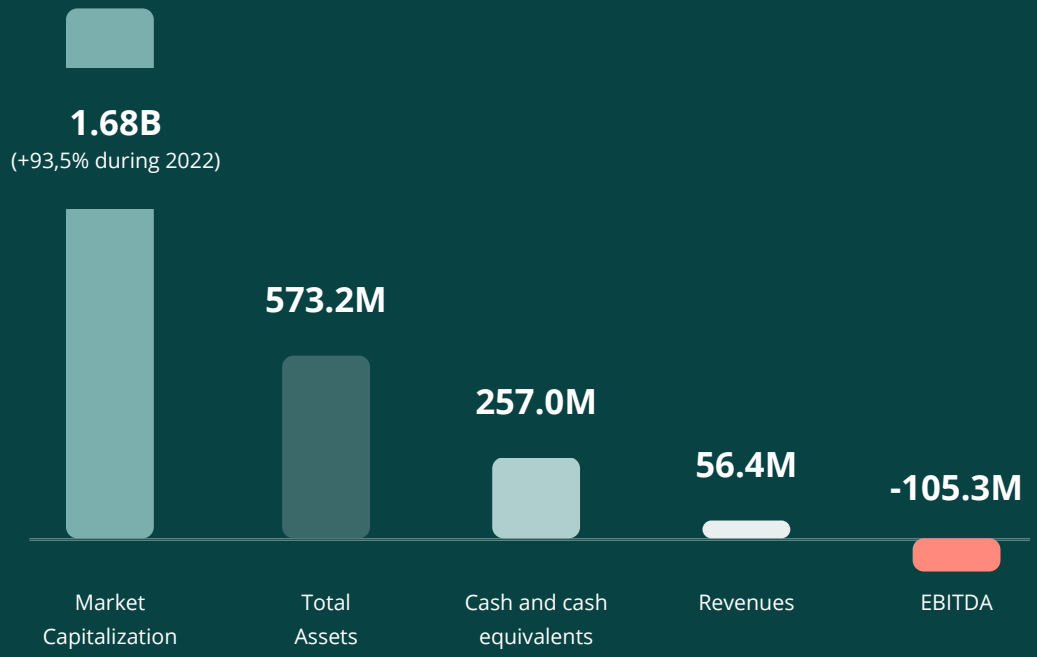
HydrogenPro is chosen as the supplier for alkaline high-pressure electrolysers for DG Fuels' plant in Louisiana, USA. The contract value exceeds USD 500 million, excluding life cycle services. The final investment decision (FID) is expected in 2023, and throughout 2022 DG Fuels secured 100% offtake from its planned Louisiana plant

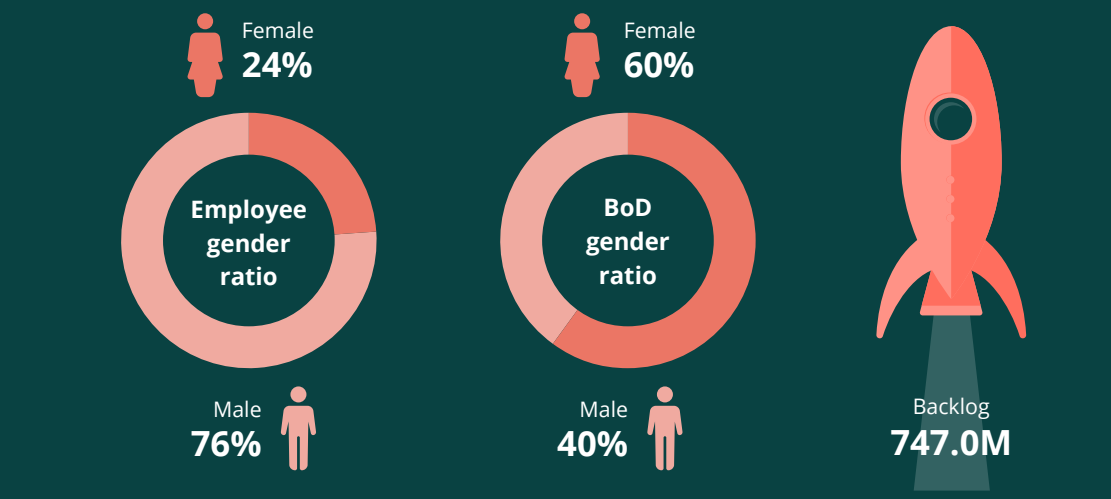
Active sales pipeline of 18.5 GW

By year end 2022, HydrogenPro had an active sales pipeline of 18.5 GW. In addition, several FEED studies are underway, and we see a clear trend of increasing size and scope throughout 2022.

Financial highlights 2022

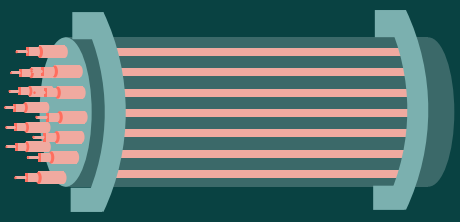
NOK





143

Number of employees



300 MW

Manufacturing capacity

US

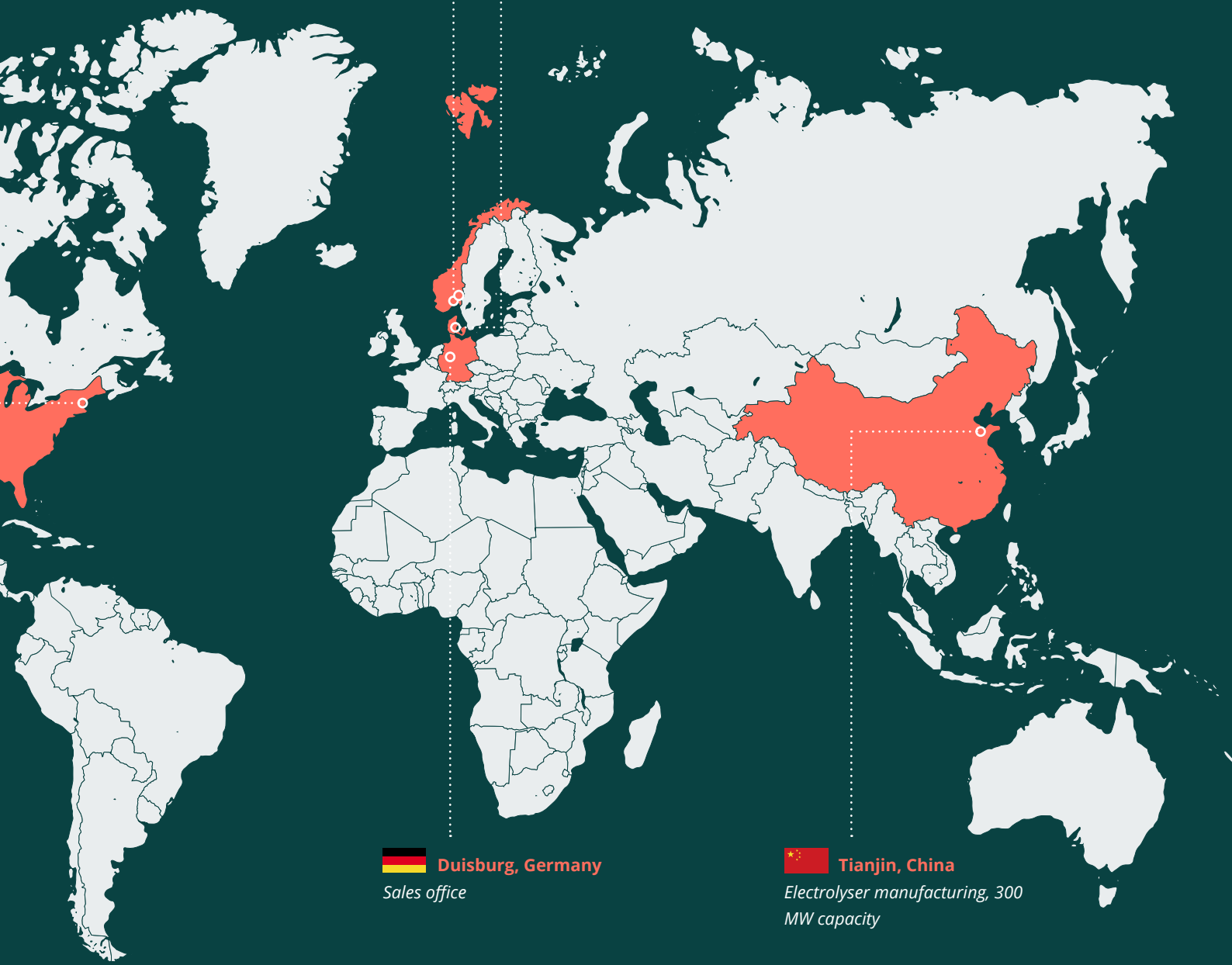
Boston: *Sales/admin office*
(Texas: *Planned electrolyser manufacturing, 500 MW capacity*)

Our current footprint – building a global brand

Manufacturing facilities and offices

Norway
Porsgrunn: *HQ and tech center*
Oslo: *Admin office*

Aarhus, Denmark
R&D & Electrode manufacturing



Duisburg, Germany
Sales office

Tianjin, China
Electrolyser manufacturing, 300 MW capacity

CEO letter

2022 was another exciting year for HydrogenPro. There is a growing focus on green hydrogen among governments, investors, and large-scale industry players. Since the company's founding in 2013, our strategy has been the same: to deliver large-scale electrolyser technology & systems, creating big impact. We anchored this strategy when we signed the largest electrolysis order on record in April 2022 – 40 electrolysers for a 220 MW electrolysis plant in collaboration with Mitsubishi.

Through the agreement for the ACES project in Utah, we have secured a solid presence in the US. Thus, we are well positioned to leverage the multinational incentive programs launched worldwide, specifically the Inflation Reduction Act in the US and the #repowerEU for the EU. Towards the end of the year, we chose to establish our own office in the US to further strengthen our presence. In 2023, we have clear ambitions to grow furtherby securing a firm purchase order from DG Fuels, converting excising pipeline into contracts as well as through our recent announcement of establishing manufacturing capacity in Texas, USA.

In line with HydrogenPro's global technology and fabrication plan, the purchase of the 300 MW factory in Tianjin was completed in April. We have made significant investments in the factory throughout 2022, and in combination with our 100% ownership of Advanced Surface Plating (ASP), we are positioned with market-leading R&D, electrode technology and significant production capacity, which gives HydrogenPro complete technology ownership. During 2022, HydrogenPro set a new industry standard with validation of production capabilities and proof of concept of the world's largest electrolyser. This further manifests HydrogenPro's position as a technology leader.

In between these events, the HydrogenPro organisation continued to grow rapidly, with the onboarding of 118 very enthusiastic employees for a total number of employees at 143 as of year-end 2022, significantly strengthening our project execution capability. HydrogenPro has furthermore expanded its global footprint with a new office in Boston, US.

It has also become increasingly evident that green hydrogen will be an essential catalyst in the ongoing energy transition. Electrolysis technology has matured to the point where green hydrogen has become commercially competitive with fossil alternatives in several regions across the globe and with our new technology and R&D leadership, HydrogenPro is at the forefront of this trend. Our market-leading efficiency combined with modular and scalable design for the world's largest cell stack enable our customers to reduce their operational expenses significantly compared to our competitor's solutions. Simultaneously, we are on track for establishing our 3rd generation electrode technology, increasing operating efficiency of each unit by 14% (needing 14% less electricity for the same amount of green hydrogen). This is key, as electricity cost counts for 70-80% of the operating cost of running a green hydrogen plant.

With our position as the technology leader in the green hydrogen space, we expect 2023 to be our best year ever as we celebrate our 10-year anniversary of working towards decarbonising the future. HydrogenPro's scalability, life-cycle model and revolutionising technology, combined with our global presence, puts us in the pole position for the most exciting year in green hydrogen to date.

We used 2022 to position ourselves. Now, we have the technology, manufacturing capacity, expertise, and purchase orders to be in the forefront. Come aboard, we are about to take off!

TARJEI JOHANSEN
CEO

Chair of the Board statement

In 2022 we proved that HydrogenPro is pioneering green hydrogen technology and systems. An ever-increasing need for cost-effective renewable solutions, available capital, and the Inflation Reduction Act in the US, pave the way for a green hydrogen revolution.

The stars align for an incredibly exiting 2023 for HydrogenPro with our market-leading large-scale electrolysis technology, a solid foundation based on key milestones reached over the last 12 months, including our uplisting to Oslo Børs in October 2022 and our growing US presence. Last year, HydrogenPro secured the world's largest electrolysis order with Mitsubishi for the ACES project in Utah, US. This represented a new era within the electrolysis industry and confirmed that HydrogenPro's strategic direction since its foundation in 2013 has been right – large-scale solutions are key. Our high-pressure alkaline electrolysers delivered through large-scale hydrogen plants are cost-efficient – both from a capex and operating cost perspective – forming our company's DNA, and we are observing that peers have discovered the same and are following our lead.

At HydrogenPro we know that green hydrogen has unique properties as an energy carrier that makes it a vital component in combination with renewables. Hence, our main end-user segments are large-scale segments within process manufacturing, such as ammonia, steel, and Sustainable Aviation Fuel (SAF). With a technology that is easy to scale depending on the input energy from renewables, HydrogenPro's large-scale hydrogen plants and cost-effective technology has the potential to both enable and strengthen other segments in the energy transition, whether it be wind, solar and other renewable power sources. Through its unique properties as an energy carrier, we believe green hydrogen will be key in facilitating the green energy transition.

In December 2022, Tarjei Johansen joined HydrogenPro as new CEO. Tarjei brings valuable experience from leading firms within the oil and gas industry and has worked most of his career in the US, an experience we deem extremely valuable as we increase our focus on the US market. In March 2023 we announced our plan to establish manufacturing capacity in Texas combined with recruitment of a dedicated US team to further develop our presence in the US market. This will provide us with the necessary execution power to implement our current and impending US contracts, to generate increased revenues as the basis for a profitable development.

Technology is about getting more out than what you put in. This is exactly what HydrogenPro's large electrolyser technology does in combination with renewables; we deliver green hydrogen, and we secure energy 24/7 even when the wind doesn't blow and the sun doesn't shine!

We are entering 2023 with excitement.

ELLEN HANETHO
Chair of the Board

Hydrogen outlook and main end-user segments

Global outlook for green hydrogen

2022 was a game changer for green hydrogen. The sector is expected to be the backbone of decarbonisation and energy transformation in the years to come. By 2030, green hydrogen production is expected to reach 24 million tonnes from 212 gigawatt of electrolysers [1].

Estimates have been further boosted because of the Inflation Reduction Act in the US. Through the IRA, producers of green hydrogen can receive up to USD 3 per kilogram of produced green hydrogen in tax credits. It is a requirement that the electrolysers use electricity based on wind, solar and hydropower to qualify for the maximum tax credit. Our high-pressure alkaline electrolysers are suitable for renewable energy input. This makes HydrogenPro customers eligible for maximum support. Combining this with the fact that the company is already competitive on OPEX and CAPEX, and has further efficiency potential through our electrode technology, HydrogenPro appears as a highly competitive player in the US market in the coming years.

In response to the Biden administration's tax package, the EU Commission announced on March 9 2023 that they will ease the rules for subsidies to companies involved in decarbonising industrial production processes and accelerating the transition to renewable energy and energy storage. The aim is to ensure more green projects in Europe, and the rules will apply until 2025. As part of our global strategy, HydrogenPro has already business in China, the US, Denmark, and Germany, in addition to our headquarters in Norway. This makes the company well-positioned to take advantage of continental trends where they occur - both financially and regulatory-wise.

Green hydrogen incentive programmes across geographies

EU

Carbon Contracts for Difference subsides

GERMANY

Tender auctions for Hydrogen Purchase Agrements

UK

Contracts for Difference for clean hydrogen

CANADA

Tax credits (similar to US)

NORWAY

Contract for Difference

PORTUGAL

Hydrogen tender and 1% blending requirement in gas network

INDIA

National Green Hydrogen Mission (USD 2.4 bn)

CHINA

Green H_2 expected to expand significantly

US

$3/kg H_2 in tax credits for producers of green hydrogen. Wind/solar/hydro power is a pre-requisite to maximize tax credit. High pressure Alkaline or PEM electrolysis

(1) Green hydrogen: technology breakthroughs mean iridium shortage and high prices will ease in 2023 (rystadenergy.com)

Different colours of hydrogen

Hydrogen is a versatile fuel source that can be produced using a variety of methods. Three distinct types of hydrogen production are the most common: green, blue, and grey hydrogen.

- **Green hydrogen** is produced using renewable energy sources, such as wind or solar power to drive the electrolysis process that splits water into hydrogen and oxygen. This method results in a completely emission-free source of hydrogen, making it the most environmentally friendly option.
- **Blue hydrogen** is produced using natural gas as a feedstock, but with carbon capture and storage (CCS) technology employed to capture and store the resulting carbon emissions. This process makes blue hydrogen a lower-carbon option than traditional fossil fuels, although it still relies on non-renewable sources of energy.
- **Grey hydrogen** is produced using the steam methane reforming process, which involves heating natural gas with steam to produce hydrogen and carbon dioxide emissions. This is the most common method of hydrogen production, but it is also the most carbon-intensive, making it the least environmentally friendly option.

Selected industrial end-users

Refineries

Refineries use large amounts of hydrogen in the refinery operations, typically generated from fossil sources (natural gas). Europe's hydrogen production is currently around 9 million tonnes per year (Mt/y); according to the International Energy Agency (IEA), about half of this hydrogen is consumed by refineries.

The refinery companies are increasing their focus on green hydrogen projects, helping to reduce their carbon footprint. The introduction of hydrogen removes sulphur from raw materials for gasoline production, diesel oil and gasoline. Raw oil contains several natural sulphur compounds. Hydrogen is used for this, and the process produces hydrogen sulphide (H_2S), which ends up in the refinery's fuel gas. Direct combustion of fuel gas that contains H_2S, also known as "sour gas", results in major emissions of SO_2 (Sulphur dioxide) from refineries. Therefore, the fuel gas is purified before combusted in the refinery's combustion plant. The carbon emissions come later when engines are used.

Ammonia for fertiliser production

Ammonia—one nitrogen atom bonded to three hydrogen atoms—may not seem like an ideal fuel. Its energy density by volume is nearly double that of liquid hydrogen—its primary competitor as a green alternative fuel—and it is easier to ship and distribute.

You can store it, ship it, burn it, and convert it back into hydrogen and nitrogen. Around 40% of Europe's hydrogen production is consumed for ammonia production. Companies worldwide produce $60 billion worth of ammonia from natural gas every year, primarily as fertilizer. Hydrogen from electrolysis could take large parts of this market in the long term, which today is covered by hydrogen from natural gas.

Steel production

The steel industry was responsible for 2.6 gigatonnes of CO_2 emissions in 2019, accounting for approximately 7% of the world's total energy-related carbon emissions. In Europe, the iron and steel sector are responsible for around 4% of anthropogenic CO_2 emissions.

Replacing coal with green hydrogen in the steel production process could significantly reduce carbon emissions. The European Union estimates that using hydrogen instead of coal in steel production could reduce CO_2 emissions by up to 90%.

Several steel companies have already begun exploring the use of green hydrogen in their production processes, with some even establishing pilot projects. As technology continues to advance, it is expected that the use of green hydrogen in the steel industry will become more widespread, leading to a more sustainable future for the industry.

Power-to-gas

A gas grid is more cost-effective than an electricity grid; a gas pipe can transport 10-20 times more energy than an electrical cable for the same investment. Europe has a well-developed gas grid that can be converted to accommodate hydrogen at a minimal cost.

Several European studies have concluded that up to 10 per cent hydrogen by volume can be mixed into natural gas, but that concentrations above 2% by volume will/may (recommendations differ) entail further necessary changes to components in the natural gas network (subsurface storage, analysis equipment) and equipment that utilises natural gas and gas turbines. The capacity for mixing hydrogen in gas pipelines to export natural gas to Europe may also be an option from Norway. The hydrogen/natural gas mix may be used directly like conventional natural gas, or the hydrogen may be separated from the natural gas and used as hydrogen. The challenges will be more pronounced to combust these mixes as the higher percentage of hydrogen by volume is fed into the network regionally and between countries.

Sustainable Aviation Fuel

Sustainable Aviation Fuel results in up to 85 per cent lower lifecycle greenhouse gas emissions versus conventional jet fuel. The market is expected to grow rapidly, and 2022 marks the take off for sustainable aviation fuel. The industry is realising the huge impact and importance of SAF, and is expected to continue to grow rapidly worldwide, in line with goals of reducing emissions.

SAF is considered more energy efficient, and provides airlines with operational advantages in addition to its environmental contributions.

To meet half of Europe's 2050 aviation energy needs would require 24% of the current European electricity generation. Combining CO_2 and H_2 then results in synthetic fuel, such as gasoline, diesel, gas, or even jet kerosene. Drop-in jet fuels have aggregate properties equivalent to conventional (petroleum-based) jet fuels. Such fuels are fully miscible with traditional jet fuels, and they are fully compatible with existing aircraft engines and the current fuel infrastructure.

Green hydrogen as an energy carrier

Green hydrogen has unique properties that make it a versatile and sustainable energy carrier. It can be used as a feedstock in several energy-intensive industries, such as refining, chemical production, and steelmaking, to reduce emissions and increase efficiency.

It can also play a crucial role in the electricity sector as a storage medium for excess renewable energy. As more renewable energy sources such as wind and solar are added to the grid, green hydrogen can be produced during periods of excess generation and used to generate electricity during periods of low renewable energy production. This process, known as Power-to-Gas, has the potential to address the issue of intermittency that is associated with renewable energy and to provide a reliable and sustainable source of energy.

Overall, green hydrogen has the potential to revolutionise several industries and play a critical role in the transition to a low-carbon economy. As technology continues to advance and costs decrease, it is expected that green hydrogen will become a more accessible and widespread energy source, leading to a more sustainable future for all.

About HydrogenPro

Vision

Become #1 provider of large-scale green hydrogen technology & systems

Mission

Accelerate global decarbonisation with world-class sustainable green hydrogen solutions

Values

- **Courage**
- **Integrity**
- **Collaboration**
- **Innovation**

Business model and value proposition

HydrogenPro was founded in 2013 with a mission to design and deliver green hydrogen technology & systems in collaboration with global partners and suppliers. Our core product is high-pressure alkaline electrolysers, and we are proud to have some of the most advanced technology in the industry.

Our team consists of 143 highly skilled and experienced employees, including key personnel with leading global hydrogen expertise. We are currently present with R&D, sales offices and manufacturing in Denmark, Germany, the US, and China, and aim to grow our global presence further in the years to come. Our headquarters and test facility are located at Herøya, Norway.

Our proudest achievement is the development of industry-leading high-pressure alkaline electrolysers, including our electrode technology, which makes us highly cost-competitive among peers globally.

With a technology that is easy to scale depending on the input energy from renewables. HydrogenPro's large-scale electrolysers and cost-effective technology have the potential to both enable and strengthen other segments in the energy transition, whether it be wind, solar and other renewable power sources. Through its unique properties as an energy carrier, we believe green hydrogen will be key in facilitating the green energy transition.

We are committed to being at the forefront of the green hydrogen industry, and we believe that our technology and expertise will help to drive the world towards a more sustainable future.

Strategy

HydrogenPro aim to become the number one provider of large-scale green hydrogen technologies & systems. To succeed, the company has identified four strategic pillars: technology leadership, global footprint, scalability and life-cycle partner.

To succeed as a global electrolyser supplier, technology leadership is crucial. The electrolyser market will be an operational cost game, and the most efficient electrolysers will win in the long run. Thus, electrolysers with low energy losses will be a prerequisite for green hydrogen companies to succeed.

HydrogenPro is already competitive in terms of efficiency amongst peers, but we are not settling. We will continue to invest in R&D, like we did with the acquisition of Advanced Surface Plating (ASP) in Denmark in 2021. This gave us technology ownership of advanced electrode technology, called the 3rd generation electrodes, which makes us able to increase the efficiency of each unit by 14%. Testing of electrodes is ongoing and has the potential of providing HydrogenPro with a competitive edge for years to come.

To have a global footprint is critical for HydrogenPro as a global presence positions the us closer to our customers and markets. This is important both with regards to sales and local expertise, while also enabling us to qualify for the many local incentive schemes that has emerged during the last two years. Local manufacturing also reduces transportation of raw materials and goods. It also diversifies our business, mitigating geopolitical risks. We are already present in China, Denmark, US, Germany, and Norway, but aim to grow further through joint ventures, partners, and sales offices all over the world.

We firmly believe that size and scale is a key for green hydrogen to reach its potential. Our standardized electrolysers have a smart cost-efficient design and are prepared for upscaling and plant integration. Our modular design enables us to turn electrolysers on and off when needed, making it an ideal solution for using fluctuating renewable energy sources, such as wind and sun. Moreover, we do not rely on rare precious metals, reducing the risk of raw material shortages.

HydrogenPro provides solutions and services that support the full life cycle of the equipment its customers purchase, from design and installation to operation and maintenance. This ensures recurring revenue on the installed base and reduces risk in the business model.

Technology Leader

Global Fabrication

Scalability

Life Cycle Partner

Stakeholder dialogue

Representatives from the Board of Directors, executive management and key personnel from the organisation have worked together to identify and evaluate all potential stakeholders of the Company. HydrogenPro engages with a wide range of stakeholders where we have our business today and where we seek to build strategic relations for the future.

As a fast-growing company in a major industry, HydrogenPro strives to meet the rising expectations from our stakeholders and to be transparent across our value chain.

Our stakeholders' contributions continue to be an integrated part of the development of the Company. The views and interests from our stakeholders are considered when defining our material topics and focus areas, as well as potential impact on the economic, environmental, and social dimension. It is equally important for HydrogenPro to gain our shareholders' understanding of our Company's plans, circumstances, and constraints. We evaluate and initiate actions where we are aware of potential negative impacts. The topics were identified and prioritised in our assessment, with further strategic initiatives proposed for execution in 2023.

Employees

Employees are at the core of the HydrogenPro value creation, and we aim to build a strong company-culture aligning with our vision and values. To achieve our strategy, it is essential to attract, develop and retain talent. Our employees are on-boarded and trained according to the requirements for their role and are followed up on a regularly basis by their respective manager.

Investors

HydrogenPro emphasises the responsibility for creating long-term sustainable shareholder value. Led by the Investor Relation team, our company are available for both current and potential shareholders, as well as regular meetings with analysts and retail brokers. Our shareholders have the ability to influence our operations in Annual and Extraordinary General Meetings. We treat all shareholders equally and ensure that material information reaches the market through publishing stock exchange notices in accordance with local regulatory requirements.

Customers

Customers buy our products and solutions either directly, or indirectly through our partners. We engage with our customers through our Project and Key Account Management, both for specific project deliveries and general support. Customer involvement and feedback are a crucial asset to the optimisation of our operations, as we strive to develop and deliver products exceeding customer expectations. HydrogenPro aims to establish long-term symbiotic relations with our customers.

Suppliers

Suppliers provide HydrogenPro with a wide range of services and commodities, where cost, quality and reliable delivery constitute important priorities for our selection. We aim for carbon neutrality in our supply chain set-up, this includes initiatives regarding local sourcing of materials and products, emission reduction plans and the use of renewable energy. Supply chain involvements, screening and qualification processes are continuously monitored and revised accordingly. We work close to our suppliers to ensure that our Company standards are met throughout project deliveries and seek to maintain long-term relationships with those matching our growth objectives.

Governments

Governments forms the industry standard for certifications and procedures. HydrogenPro engage in regular dialogue regarding engineering, manufacturing- and assembly facilities and projects to make sure all qualifications are met by different governments. Further, industry bodies work for the development of the industry as a whole, and grants are provided to certain projects. In 2022 HydrogenPro initiated talks with the Confederation of Norwegian Enterprise (NHO), which resulted in the creation of a "National Hydrogen Alliance". The Group included all key players throughout the hydrogen value chain. Initiated under the auspices of the Confederation of Norwegian Enterprise (NHO) and the Norwegian Confederation of Trade Unions (LO), the work will lead to a proposal for a national hydrogen strategy to be presented for the government in the first half of 2023.

Organizations

HydrogenPro is member of several strategic associations in the hydrogen industry. These differ from each other in the range of having either a local- or multinational focus. We believe joined efforts will be key to achieve industry goals, and HydrogenPro values the commitment from its industry peers and the importance of collaboration. Further, with presence in these arenas, HydrogenPro manages to build strategic relationships, promote our business and technology, as well as encourage favorable regulations and legislations for industry growth.

Local communities and stakeholders

HydrogenPro operates within local communities where we aim to have a positive social and environmental impact, aligning with the Company's core objectives. Local Executive Management evaluates and initiates local stakeholder engagement and report back to the Bord of Directors. We engage through dialogue and collaboration with local universities and institution, using both local talent and suppliers if suitable and possible.

In Denmark, our connection and engagement with Aarhus University Department of Biological & Chemical Engineering is a two-way positive impact collaboration. Students work at HydrogenPro for training and education, while contributing to our research, development, and operation. The University receives feedback and insights into the expertise required for our operations and HydrogenPro contributes to the development of local academics.

In relation to our facility at Herøya, we build an experienced and talented engineering environment which has the potential to spur local employment. HydrogenPro engages with The University of South-Eastern Norway, Faculty of Technology, Natural Science and Maritime Sciences, regarding research and development projects. Our policy remains to collaborate as much as possible with local vendors and suppliers.

Selected memberships include:

Hydrogen Europe

Norsk Hydrogenforum

The Explorer - Powered by Innovation Norway

POWERED BY TELEMARK

Norwegian Business Association

NBA China

Material ESG (environment, social and governance) topics

Materiality is the backbone of environmental, social and governance (ESG) reporting. To make sustainability and ESG reporting concrete and relevant, the concept of materiality has become the industry standard.

Materiality is about identifying which ESG topics that will influence a company's ability to create value in a long-term perspective, as well as how the company impacts its surroundings through its activities and business relationships. By determining which ESG aspects that belong to the core material for a company, the stakeholders' ability to evaluate the company's sustainability performance will significantly improve.

Process

HydrogenPro conducted a thorough stakeholder and materiality assessment and analysis during the winter 2022/2023. The materiality assessment was carried out with two perspectives in mind:

- How are specific environmental, social and governance topics impacting HydrogenPro's long term value creation (financial materiality), and
- How are HydrogenPro's business activities impacting the environment and society around the company (environmental and social materiality)

Both potential opportunities and risks stemming from the relevant ESG topics were identified and further quantified in the materiality assessment.

To identify and rank material ESG topics, we involved several internal and external stakeholders, including investors, customers, suppliers, employees, and financial market participants. The stakeholders were interviewed to get an understanding of how they view HydrogenPro's ESG challenges and opportunities, as well as where the company can make the greatest impact. With the insights gathered through stakeholder dialogue, the company's management and Board of Directors prioritised material ESG topics based on potential impact on the company's long-term value creation.

Material topics

The ESG topics material to HydrogenPro is a result of the company's business model, the activities the company executes, as well as where and how these specific activities are executed. Preserving the planet by mitigating climate change is the fundament of our business model. HydrogenPro is an original equipment manufacturer of high-pressure alkaline electrolysers for green hydrogen production, targeting the core issues of enabling various sectors to align with a greener business model. Our industry-leading technology is perfectly suited to play a significant role in accelerating the energy transition to reduce global carbon emissions transforming society and adapting to renewable green energy solutions. Our green hydrogen production plants utilise water and renewable energy to produce hydrogen gas, with oxygen gas as the only residual of the electrolysis process. Thus, HydrogenPro's business model is considered to be sustainable and suitable for the future low carbon-emitting society.

To manufacture the electrolysers, HydrogenPro uses input factors such as materials, energy, and water, combined with our core technologies and our employees. This is the main business activity of the company, and the material topics are all related to this value chain.

As a result of the company's business model, business activities and stakeholder assessment, the environmental, social, and government topics as considered material to HydrogenPro are as follows:

1 **Efficient technology and scalability (read more on page 27)**
HydrogenPro's most material impact on our surroundings stems from our business model. Through our sold products, HydrogenPro has unlimited potential to positively impact the environment by reducing CO_2 emissions and contribute to mitigating climate change supporting the green transition. The magnitude of our environmental impact is determined by our ability to get our product into the market. To succeed at this, HydrogenPro must have a leading technology making our product attractive for the end-user and the ability to scale up production of electrolysers to meet customer demands.

2 **Sustainable and local manufacturing and supply chains (read more on page 31)**
HydrogenPro's main business activity, the manufacturing of our electrolyser systems, has significant social and environmental impact on our surroundings. Therefore, sustainable and local manufacturing and supply chains are considered material for HydrogenPro. This is a broad topic containing several sub-topics, such as energy and water consumption, waste disposal, emissions, and supply chain management, including human rights and work conditions along the product value chain.

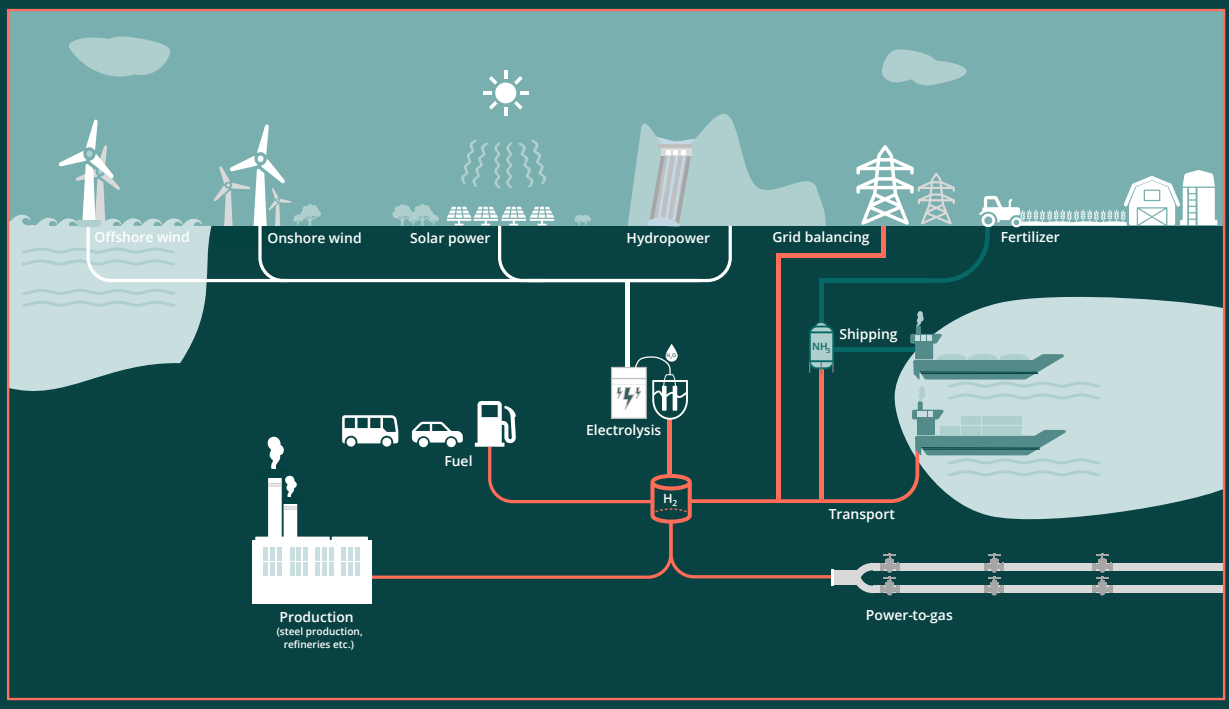
3 Innovative product design (read more on page 36)

The product design determines the materials needed to manufacture the electrolysers, and how often the parts need to be overhauled, renovated, or changed. Thus, how we design our electrolysers is a material ESG topic for HydrogenPro. Material choices, and particularly choosing not to use certain noble materials, rare-earth elements, and PFAS have an environmental and social impact. The same goes for design for reuse and remanufacture, which prolongs the lifetime of the electrolyser and contributes to lower disposable waste. Lastly, innovative product design is a consequence of high focus on technology leadership and R&D, which contributes to both higher efficiency and safer products, both material ESG topics.

4 A safe and attractive place to work (read more on page 38)

To be able to deliver on the strategic priorities of the company, HydrogenPro must be a safe and attractive place to work. This is of material importance for us, both because our success to deliver on other material ESG topics is influenced by this, and because it has a direct social impact on work-life-balance and the commitment of the employees working in HydrogenPro. Being a safe and attractive place to work ensures that we attract and hire the best candidates. HydrogenPro is a company working with high-end technology, engineering, manufacturing, and assembly. To scale up and reach our goals, having expertise and the right knowledge and employees onboard is a prerequisite for us. To be a safe and attractive workplace, we have a high focus on occupational health and safety, training and personal development, and diversity and equal opportunities.

The ESG topics considered material to HydrogenPro, goes hand in hand with the company's strategic priorities, which are described on **page17**. An overview of the topics that are discontinued from the 2021 materiality assessment can be found in the Sustainability Factbook.



Agenda 2030: UN Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) is at the heart of Agenda 2030; the United Nations blueprint for peace and prosperity for people and the planet, now and into the future. While the SDGs formally were adopted by the UN member states, and thus are addressing challenges at national level, it has become customary for businesses to align their sustainability strategies to support the goals. By doing so, we can be sure that we are all pulling in the same direction.

HydrogenPro respects and supports all 17 of the Sustainable Development Goals. In addition, we have identified four SDGs that are particularly relevant for our business model and activities, and where we believe we can make the greatest impact. These four goals are aligned with HydrogenPro's material ESG topics, and we work strategically to contribute positively to fulfilling these SDGs.

HydrogenPro's top priority SDGs:

Sustainability targets

In the integrated report 2021, HydrogenPro presented several ambitions with relevance to environmental, social, and governance topics. We have made significant progress on some of our ambitions, while other initiatives are still yet to be launched. We will continue to strive towards reaching our ambitions, and report on our progress in a transparent and consistent matter.

Ambition	Target	Target date	Status 2022	Read more on page
Health and safety are essential for the success of HydrogenPro	Short leave/overall leave - less than country average of our locations: • Norway 4% • China 4% • Denmark 4%	Annually (2023)	• Norway: 0.62% • Denmark: 0.01% • China: 3.3%	p. 39-40
Zero accidents and work-related ill health at the company	Zero accidents and work-related ill health	Annually (2024)	• Three recordable work-related injuries.	p. 42
Most cost-efficient green hydrogen production technology	Levelized cost of hydrogen at USD 1.2 per kg (assuming USD20/MWh)	2022	USD 1.4 pr. kg.	p. 27-30
Contribute to global CO_2 reduction	Reduce CO_2 emissions with at least 1.5 million tonnes annually from our installed production capacity	2023	Approximately 127 000 tonnes	p. 29
Global leading provider of large-scale green hydrogen production solutions for industrial applications	>1 GW installed global production capacity by year-end 2023	2023	300 MW	p. 8

Our impact

CFO message

Preserving the planet is the fundament of our business model. At HydrogenPro we deliver large-scale green hydrogen technology & systems. We target the hard-to-abate sectors where our industry-leading solutions are perfectly suited to play a significant role in accelerating the energy transition to reduce global carbon emissions.

With global reach comes global responsibility. As a company that operates on a global scale, HydrogenPro recognises the importance of taking responsibility for its impact on the environment and society. Throughout 2022, the Company has taken several steps to enhance its sustainability efforts.

HydrogenPro has taken measures to prioritise sustainability and improve the positive impacts of our business activities, while reducing the negative impacts. The company has hired Ida Eilertsen Nygård as the new Head of Investor Relations and ESG, tasked with ensuring that sustainability remains a key priority in all aspects of the company operations. In addition, HydrogenPro has conducted a new materiality analysis, which has helped to identify the sustainability segments where the company can have the greatest impact. By focusing on these segments, HydrogenPro can work to create more sustainable solutions and limit its environmental impact. The updated materiality assessment can be found on **pages 20-21**.

HydrogenPro has a scalable business model, and our vision is to become #1 provider of large-scale green hydrogen technology & systems. Creating shareholder value requires us to work holistically on the key areas. These go hand in hand with our focused capital deployment plan; increase global manufacturing capacity, invest in R&D to take technology leadership, scale up the organisation and the use of working capital on large-scale projects.

As part of HydrogenPro's global footprint and technology leadership, proximity and local presence are key factors. Our ESG focus must hence incorporate diligent transparency, especially with regards to the company's presence in China – and we are working every day to stay transparent and remain in control over the entire value chain.

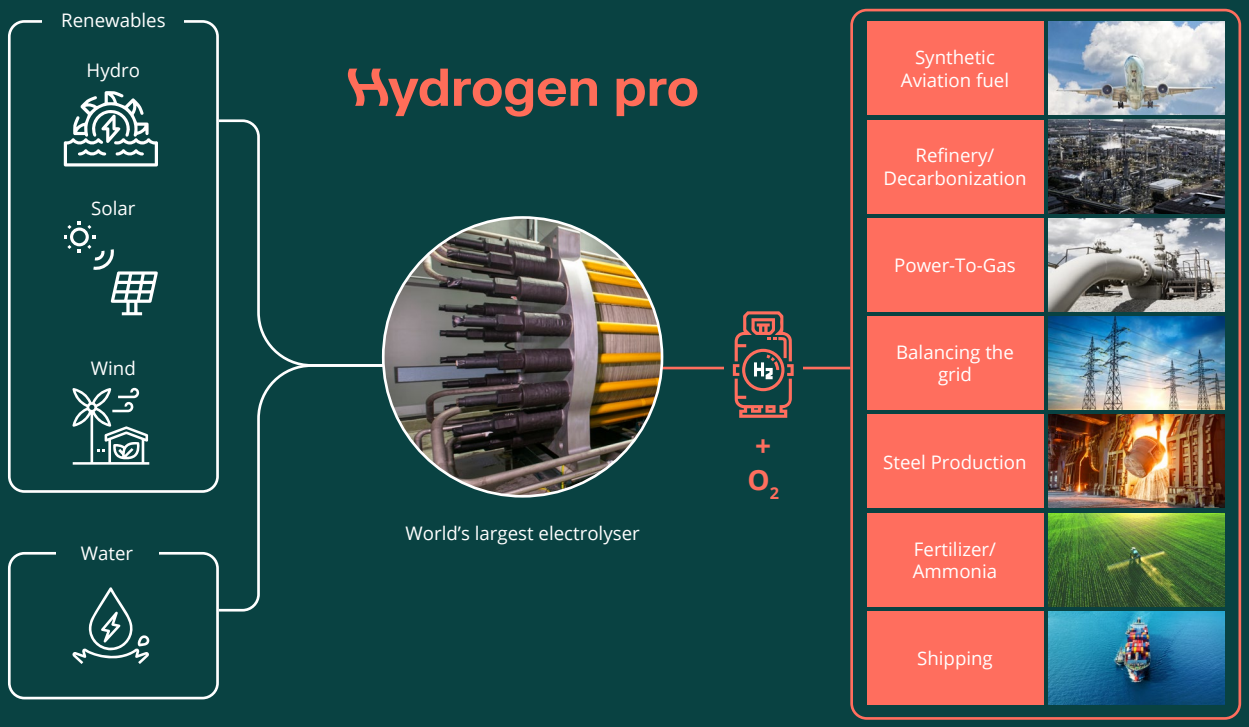
MARTIN THANEM HOLTET
CFO

Efficient technology and scalability

To meet the commitments in the Paris Agreement and limit global warming to 1.5 degrees, the Hydrogen Council estimates a global demand of 75 million metric tonnes (Mt) of clean hydrogen by 2030, rising to 660 Mt in 2050. Realising the global ambitions for a net-zero society by 2050 depends on efficient and scalable solutions for green hydrogen production. It is HydrogenPro's ambition to be a key player driving widespread deployment of electrolysers across the globe, by meeting worldwide demand for energy-efficient hydrogen production equipment. Our contribution to the environment is determined by our ability to get products out on the market. This requires that we develop competitive technology and that we are able to scale production to meet the growing worldwide demand.

HydrogenPro is an original equipment manufacturer of large-scale green hydrogen technologies and solutions. Our core technologies consist of electrolysers comprising cell stacks, gas separator including controls hereof. Together with our partners we have developed an optimized system ideal for green hydrogen production. The electrolyser system delivered by HydrogenPro is energy efficient, flexible, and well proven. Our technology is referred to as high-pressure alkaline system which delivers the hydrogen and oxygen gas with a pressure directly from the cell stack at 15 bar. The high-pressure alkaline technology is suitable for renewable energy input, and the electrolyser size we deliver is a perfect match for large-scale industrial applications such as power-to-gas, ammonia, and steel production.

Global provider of large-scale green hydrogen technology & systems



Energy efficiency

Number one metric for electrolyser manufacturers is energy efficiency. It is measured by the electrolysers ability to produce hydrogen gas at a certain level of input energy. HydrogenPro's single 5.5 megawatt electrolyser has been validated to produce 1,100 Nm^3/h hydrogen at normal current density, which equals ~100 kg of pure and pressurised green hydrogen per hour. This means that the world's largest high-pressure alkaline electrolyser is validated with 80% energy efficiency, setting a new global standard for large-scale production of green hydrogen.

3rd generation electrodes

In addition to optimising our existing high-pressure alkaline technology, we are on track to establish what we call 3rd generation electrodes. This is new electrode coating included in the existing high-pressure alkaline system based on novel research, which is currently being developed by HydrogenPro's daughter company in Aarhus, Denmark. Initial tests show that the 3rd generation technology can deliver an impressive energy efficiency of 93%, which is a 14% improvement from today's technology. The efficiency gain is due to improved performance of the used electrodes obtained through a surface coating on the electrodes. This implies that the splitting of water molecules into oxygen and hydrogen is done in a more efficient manner lowering the overall voltage for hydrogen and oxygen formation.

One of the commonly cited critiques of a hydrogen-based economy is the high energy consumption involved in conversion of electricity into hydrogen. The energy efficiency that HydrogenPro can offer with the 3rd generation electrolyser technology will potentially be a game changer for global deployment of hydrogen as a clean energy carrier. It means that we can mitigate climate change and replace hydrocarbons with significantly higher energy efficiency - lower energy usage - and corresponding economic burden than what today's solutions are capable of.

The 3rd generation electrodes will reduce end-customers' operational costs of electrolysis significantly. As electricity costs are around 75% of the levelised cost of hydrogen production, a 14% reduction of electricity need over a 30-year lifetime is a significant cost saving. The 3rd generation electrodes represent a revolutionary technology within the green hydrogen transition. This is good news for the planet and will undoubtly ensure HydrogenPro a superior position in the market.

Making a positive impact

Avoided GHG (greenhouse gas) emissions

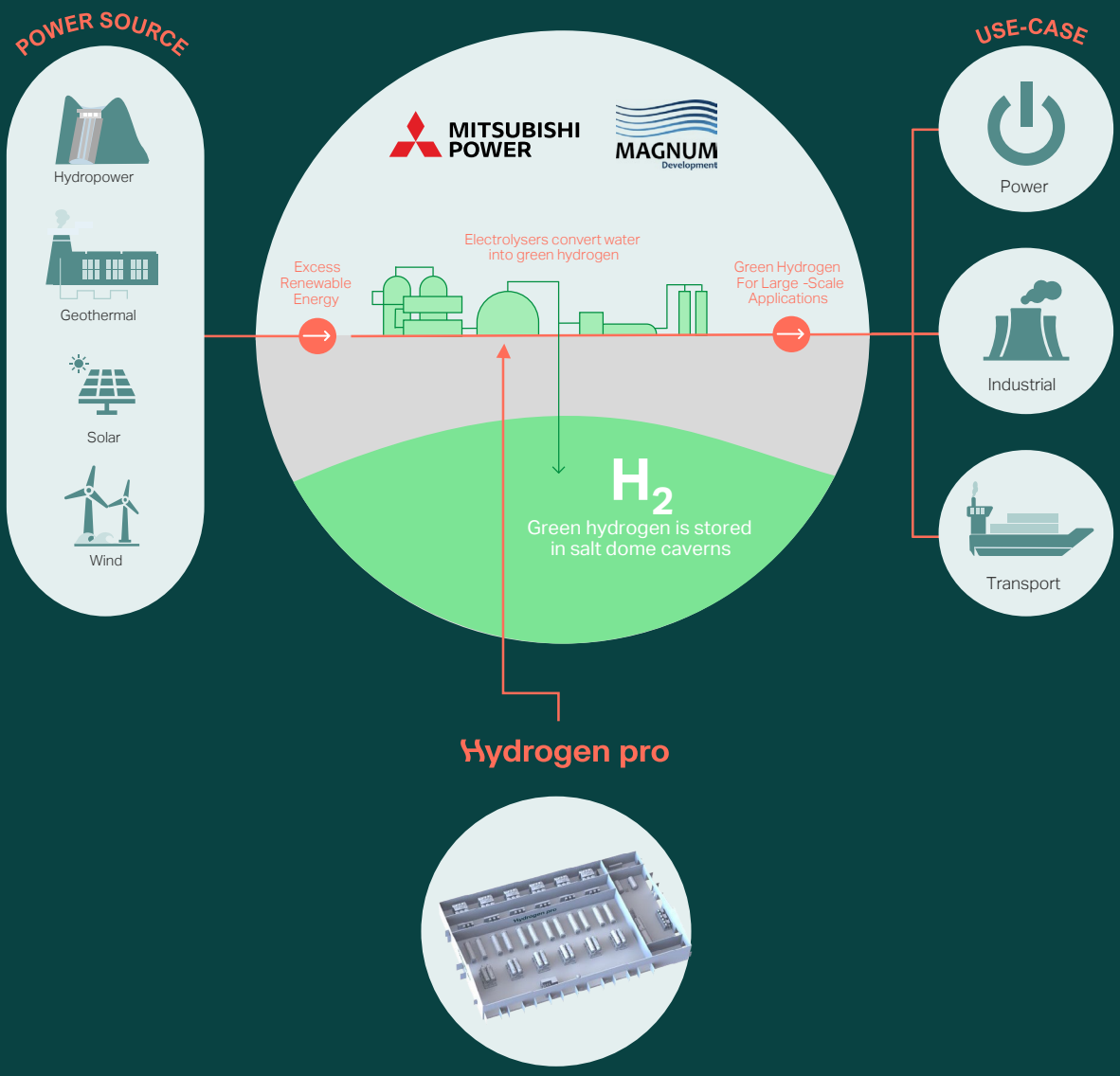
Our greatest sustainability contribution is that our product is a key enabler for the global society to reach a decarbonised energy system. We contribute directly to reduced greenhouse gas emissions by offering technology to produce clean fuel that can replace fossil fuels in large parts of the energy economy. The ACES-project (see fact box) with a staggering 220 MW electrolyser capacity is estimated to help prevent 127,000 tonnes of CO_2 from reaching the atmosphere annually, based on the difference in emission profiles between using natural gas and green hydrogen as fuels. Our short-term goal is to abate 1.5 million tonnes of CO_2 emissions from an installed production capacity of 6 gigawatt by the end of 2027. To read about GHG emissions from our own operations, please see page 31-32.

In addition to the direct contribution to abatement of greenhouse gas emissions, green hydrogen plays a crucial role in allowing for a decentralised and resilient energy system that can be completely based on renewables. Hydrogen is offering a clean energy storage solution that can be used to buffer intermittent renewable energy sources and stabilise the grid both locally and regionally. Hydrogen is thus indirectly enabling this green shift, allowing for an energy system based on production of large-scale renewable energy from various sources. Renewable energy is the most critical component of a future net zero society and for the world to reach the Paris Agreement.

Energy security

Hydrogen is also a contributor to energy security, as green hydrogen can be produced and stored domestically. It will reduce the countries' dependence on foreign energy sources, and thus, reduce society's vulnerability to lack of energy supplies. In 2022, the global energy crisis emerged as a historic turning point that has been on top of mind among all state leaders. The governments around the world are now working for a cleaner and more secure energy system.

ACES - On track to deliver on world's largest renewable energy hub



https://aces-delta.com/
https://www.energy.gov/lpo/advanced-clean-energy-storage

The Advanced Clean Energy Storage (ACES) project is world's largest renewable energy storage hub. The facility in Utah will combine a 220 megawatt bank of alkaline electrolysers delivered from HydrogenPro and a storage capacity of 4.5 million barrel salt caverns to store clean hydrogen. ACES will capture excess renewable energy when it is most abundant, store it as hydrogen and then deploy it as fuel in a combined natural gas and hydrogen power plant to produce electricity for Western United States. ACES will help decarbonize the region, with an ambition of incrementally being 100% fueled by clean hydrogen by 2045. The scale of deployed electrolysers and the use of salt caverns to store hydrogen are both significant innovations. HydrogenPro will complete manufacturing of the electrolyser systems in H_2 2023, followed by installment and commissioning on-site completed in late 2024. HydrogenPro has also signed a 10-year service and support agreement.

Scalability

The most significant way we can contribute positively to the environment is by bringing our product out on the market. If succeeding with our ambitions of global deployment of the HydrogenPro electrolyser, we are enabling customers around the globe to operate large-scale hydrogen production facilities that can buffer renewables and replace fossil fuels – and they can do this with significantly lower energy consumption compared to alternative technologies.

At closing of 2022, the active sales pipeline in HydrogenPro consisted of 18.5 gigawatt of electrolyser capacity. We are eager to fulfil those orders, and to further upscale our manufacturing capabilities. Today, HydrogenPro has manufacturing facilities in Tianjin, outside of Beijing in China, with a capacity of producing 300 megawatt per year. In addition to the China manufacturing facility, we have announced an ambition to establish an additional 1 gigawatt manufacturing capacity by the end of 2023, preferably split between Europe and the US. Our goal is to reach an annual production capacity of more than 5 gigawatt within 2027. We are right now creating the foundation for successful growth, by ensuring financial robustness and by building a responsible and resilient organisation and value chain along with our growth strategy. In March 2023, HydrogenPro announced our plans to expand in the US with a new plant in Texas with a manufacturing capacity of 500 megawatt. T he site will have the option to significantly scale up the capacity to several gigawatts in due time.

Global reach and global responsibility

The growth of a new hydrogen economy will require use of natural resources and will thus have an impact on the environment. Our internal climate and resource footprint will grow hand in hand with the upscaling of our company, and our customers will depend on renewable energy in order to enable the production of green hydrogen based on our technology. There are potential nature-related impacts associated with hydrogen production that we want to approach with awareness and precautionary measures. Our mission is to ensure that our positive impact on the environment outweighs the negative impact we may have.

Land use and biodiversity

Large-scale green hydrogen production is based on renewable energy infrastructure such as wind turbines or solar panels that may require vast amounts of land. This can lead to displacement of wildlife habitats and potentially harm biodiversity. We recognise that we are part of an industry quickly evolving, and that we need to collaborate closely with partners and industry peers to ensure that biodiversity and wildlife habitats are taken into the equation. We will strive to promote the most sustainable solutions both for today and the years to come for development of new renewable power production.

Water consumption

To produce green hydrogen, the electrolysis process uses renewable energy to split water molecules into hydrogen and oxygen. The process is regarded as environmentally friendly, but it requires large amounts of water and can thus be challenging in regions where water is scarce. In addition to the water used in the electrolysis process, we are dependent on cooling water to keep the electrolyser at the right temperature in steady state production. Regional considerations are therefore important when planning for green hydrogen production. A holistic perspective on the pros and cons for the local community will always be on top of mind when collaborating with regions with limited water resources.

Steps in the right direction – our technology's contribution to reduced resource footprint

With the HydrogenPro electrodes' capabilities to greatly reduce energy consumption during green hydrogen production, we have the potential to contribute positively to the environment as the hydrogen economy continues to grow. The main innovation with the new electrode technology is a reduction of the power consumption of 14%, based on the same current density as with the existing configuration. Reducing the needs for renewable energy will have the potential to limit the build-out of new wind and solar power plants, which again will reduce local land-use and loss of nature. In addition, it will reduce the material and resource footprint of renewables manufacturing. Another benefit of our 3rd generation electrolyser is that it will reduce the need for cooling water by up to 75% since less energy is needed implying that less heat will be produced. This means that our technology is limiting water withdrawal – making it suitable also in regions of the world where water is not an abundant natural resource.

Sustainable and local manufacturing and supply chains

The most substantial environmental and societal impact of HydrogenPro's activities is through the products we sell. However, it is clear that manufacturing electrolysers has both an environmental and social impact on our surroundings. We are entering a phase of rapid scaling of our manufacturing activity, and we will establish new manufacturing sites in both Europe and the US in the years to come. The timing is just right for taking a responsible role working proactively to mitigate potential negative impacts caused by our own operations and operations in our supply chain.

The HydrogenPro electrolysers are today manufactured in Tianjin, outside of Beijing in China. At this site, we have a manufacturing capacity of 300 megawatt per year. The manufacturing activities in Tianjin have been established through the second half of 2022. Covid19 was still creating an enormous burden on the Chinese society in 2022, and not until December were all workers physically present. After updating the manufacturing equipment, the manufacturing process was successfully initiated in autumn of 2022. The manufacturing process is now ongoing to deliver on awarded purchase orders. The next step for HydrogenPro is the announced establishment of additional 500 MW of manufacturing capacity in Texas, USA.

A vital part of our global expansion strategy is to build local manufacturing and supply chains, close to where the electrolysers are operated. By manufacturing close to our customers, we ensure faster delivery times and lower transportation costs and emissions. It can also help us to understand customer needs better, which enables us to respond more quickly to changes in demand. Offering customisation and flexibility when we deliver products and services can give us a competitive advantage. By building a local supply chain, we can work more closely with our suppliers. We can innovate new solutions together that enhance product quality, and we can set requirements on reduced resource footprint or enhanced worker rights. A local supply chain will strengthen the local economy and give us a more resilient supply that can quickly be adapted to changes in circumstances.

Climate mitigation in manufacturing and supply chain

Although our product is having a significantly larger positive impact on reducing greenhouse gas emissions compared to our own climate footprint, we believe that everyone must take part in decarbonizing own industry. We strive to minimise emissions from our own manufacturing sites and to create a foundation for green growth of our operations. To achieve this, we aim to reduce emissions generated both when establishing new manufacturing sites and when operating them. This will empower us to adopt a focused and efficient strategy to reduce our own climate footprint. It is also important for us to set requirements and collaborate closely with our suppliers to pinpoint and alleviate significant sources of emissions.

Steel usage is the major contributor to HydrogenPro's carbon footprint, constituting 36 % of our total greenhouse emissions (Scope 1, 2 and 3). Steel production is a carbon-intensive process that is emitting greenhouse gas during several steps of the production process. The most effective short-term action we can perform is to reduce our steel scrap during manufacturing of electrolysers. For further details on how we approach this topic, see chapter Innovative product design. We have chosen a steel supplier that works proactively with ESG topics as part of their corporate strategy and corporate development. A major part of our supplier's work on ESG is their low-carbon transformation strategy. Starting from an estimated peak carbon emission intensity in 2030 of 1.65 ton CO_2/ton steel, the supplier aim to reduce their carbon emission intensity by 20% within 2035 and by 80% within 2060. In their ESG report of 2021, they published their first GHG accounts, revealing a significant lower carbon emission intensity compared to the rest of China's steel industry.

HydrogenPro's absolute greenhouse gas emissions are expected to increase in the short term. Scaling operations and building a global organisation with several manufacturing sites will increase our climate footprint. However, doing this is a necessary step to succeed with our mission offer energy-efficient hydrogen production that can realise a zero-carbon future. With a high focus on energy-efficient operations and taking advantage from economies of scale, we aim to reduce the carbon emission intensity going forward, measured as our total greenhouse gas emissions divided by number of electrolysers manufactured.

HydrogenPro's own greenhouse gas emissions

Scope 1 emissions included combustion from one company-owned vehicle. Scope 1 emissions were of 2.3 ton CO_2. Scope 2 emissions included consumption of electricity for the manufacturing process and consumption of district heating for warming of facility space. All manufacturing processes except welding are based on electricity as energy input and are therefore already compatible with a decarbonised energy system, with an electricity grid based on renewables. Scope 2 emissions were of 141.3 ton CO_2 and is calculated based on a location-based method.

Scope 3 emissions included business travels, waste generation in operations, upstream leased assets, upstream transport and distribution and purchased goods and services. Scope 3 emissions were of 5921.5 ton CO_2. The most significant contributor to scope 3 emissions and to HydrogenPro's greenhouse gas emissions in general is the category "Purchased goods and services" of 5628.6 ton CO_2. This category covers all activities in China, as the scope 3 calculations are spend-based and derived from the accounts of HydrogenPro ASA in Norway. 37 % of the scope 3 emissions origins from steel usage. The rest of the emissions will be mapped during 2023, in order for us to establish a targeted climate mitigation strategy for the manufacturing activities in China. Read more about how our technology enables avoided emissions in chapter Efficient technology and scalability. The full greenhouse gas emissions accounting can be found in Sustainability factbook.

Environmental resource footprint

In HydrogenPro we use innovation as a tool to increase value creation and reduce the utilisation of natural resources. We work to establish a culture with sustainability champions in all parts of our organisation, where creativity and idea creation is used continuously to maximise technology and process efficiency and minimise our environmental footprint.

Scaling of production capacity requires infrastructure and buildings where the job can be done. HydrogenPro aims to situate new operations in established industry parks or existing facilities to promote sharing of infrastructure and reduce need for occupying land. We have good experience with today's manufacturing activities being located inside industry parks, where infrastructure is in place for us to build robust spill-protection, water recycling and environmental safety barriers. We work to ensure that all manufacturing processes are compatible with high environmental standards and that we meet expectations from our own employees and external stakeholders. One of the proactive steps we are taking involves seeking a ISO14001 certification for Environmental Management Systems at our manufacturing facility in Tianjin, China. This certification process is ongoing and is creating ambassadors among our employees with regard to environmental sustainability and responsible manufacturing practices.

Water management

In the manufacturing process of electrolysers for green hydrogen production, relatively small amounts of water are needed. Water is used only for cleaning and cooling and can be recycled and reused. None of our current sites are operating in regions where water is scarce. Our location in China is not using water in the manufacturing process, while our location in Denmark has a water recycling facility that can recycle more than 90% of the water used. Our location in Norway uses water for testing of the electrolysers.

Pollution prevention

As all facilities only use electricity as energy source in the manufacturing process, the emission to air at the manufacturing sites is limited. The manufacturing process at our site in China emits particle dust from a welding machine, but installation of an exhaust treatment system is in process.

All chemical waste is collected and handled by specialised companies at all three sites, releasing no pollutants into air or water. The manufacturing site in China is located at a government-owned industry park, with strict regulations when it comes to spill-protection and environmental safety. To prevent any leakages and discharge into water, the floors are designed without connection to the sewage system.

Minimising waste

We can contribute to reduced depletion of natural resources by reducing waste from our manufacturing process. Our main waste fractions are steel scrap and chemicals (alkaline water, mineral oils and cutting fluids). In addition, we have office waste and packaging materials that are sorted and recycled according to local legislations and property owner procedures (paper, plastic, food waste, and residual waste).

The steel that is used for the manufacturing process is of high quality and the steel cut off from our manufacturing process is therefore of high value. We collaborate closely with the steel producer and deliver the steel scrap back to their site so that they can sell it further. Thus, we avoid involving a third party that processes and trades recycled steel.

Manufacturing process: Input, HydrogenPro activities and output

Input

- Electricity
- Water
- Steel
- Nickel
- Polymers
- Chemicals (KOH, mineral oils and cutting fluids)

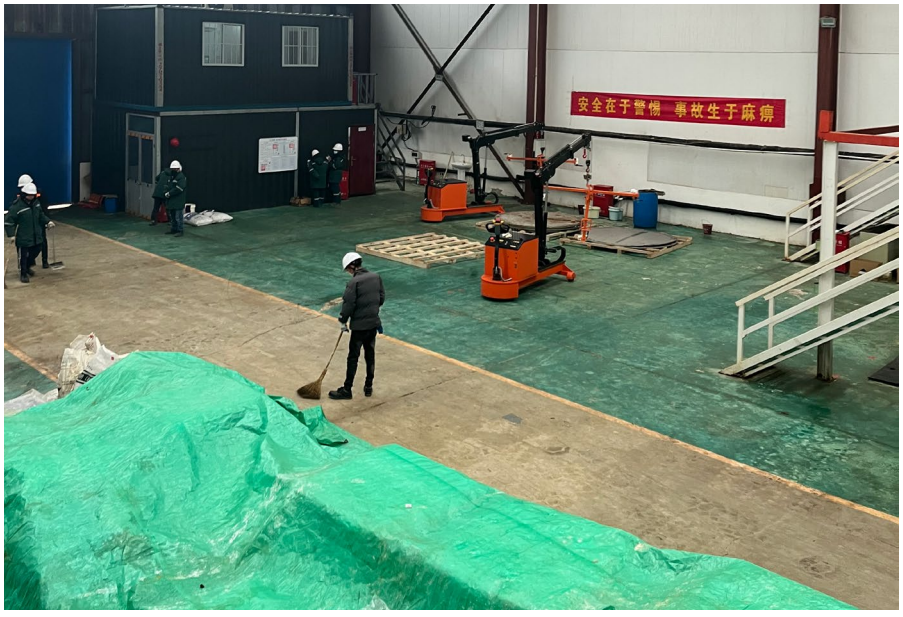
HydrogenPro Activities

- R&D
- Design and engineering
- Manufacturing
- System integration and comissioning
- Maintenance and operation support

Output

- Large-scale green hydrogen production facility
- Resources for recycling
- Office waste and packaging
- Cut steel that is sent back to steel producer and re-used
- Chemicals handled by specialized firms

Supplier engagement



Our daily efforts are focusing on creating a strong and resilient network of suppliers that match our material quality requirements, delivery times, and capacity needs in the scale-up phase we have ahead of us. As an industrial company with advanced technology, we highly depend on suppliers that can meet our technical specs and standards. Therefore, the process of sourcing from a new supplier requires a thorough assessment that involves close communication with the supplier management and visits to their manufacturing sites. When we approach new suppliers, environmental and social sustainability are always topics we address. We are committed to driving positive change not only in our own operations, but also through collaboration with our suppliers.

Sourcing to operations

The supply chain management process was established in September 2021 and is currently being rolled out throughout the company. The process focuses on quality, certifications, capacity, company reputation, and transparent communication. 20 companies, both existing and new suppliers, were screened between January and October 2022 using a supplier questionnaire mostly focused on collecting commercial, financial, and ISO certification information. After HydrogenPro uplisted to the main list on Oslo Børs in the beginning of October 2022, our supplier screening process was updated and is now involving more robust qualification procedures. These are used both to prequalify and to re-approve suppliers.

The HydrogenPro supplier policy is based on a newly developed Supplier Code of Conduct. The Supplier Code of Conduct will be implemented and shared with our suppliers throughout 2023. It defines mandatory requirements we expect all suppliers and business partners to adhere to concerning their responsibilities towards their stakeholders and the environment. Regarding societal aspects, the policy covers topics such as anti-corruption and bribery, human and labour rights including working conditions, working hours and wages, non-discrimination, prohibition of child labour and forced labour, conflict minerals and health and safety of employees. Regarding environmental aspects, the policy covers topics such as environmental management systems, pollution prevention and environmental protection.

Together with our Supplier Code of Conduct, we have established a robust supplier qualification checklist and supplier qualification questionnaire. Requirements and specifications regarding technical aspects will be adjusted and customised to each purchase, while following social and environmental standards are mandatory for every supplier. The supplier qualification process involves an in-depth review where suppliers are asked to elaborate on general information, management systems, compliance and corporate responsibility, and supply chain management. Documentation of such policies and systems needs to be presented. Health and safety topics that are covered are among others risk assessment processes, training of employees, preventive actions, follow-up routines of incidents, as well as incidents reported. Environmental topics that are covered are among others emission reduction and sustainability targets, waste management systems, environmental certifications, and statistics of accidents.

It is important for us to meet our suppliers in person, to get to know them and to build a foundation for trust. This is a crucial aspect in order for us to innovate together with our suppliers on technology development, material use, and sustainability aspects of our shared value chain. The updated supplier qualification process involves factory inspections and audits. This is contributing to building trust and a good collaboration environment, and it is necessary to make sure that requirements are followed. We maintain a permanent dialogue with preferred suppliers and potential new ones for the main sourcing categories, discussing strategic procurement and supply chain topics, such as electrolyser technology and requirements, product development, partnership agreements, supply chain risks and efficiency, global production capacity, customer support services, quality, manufacturing processes and certification.

The updated supplier qualification process is undergoing pilot testing, learning and adaptation during winter 2022/2023. Between October and December 2022, three suppliers were screened according to the new procedure, while another five suppliers have been screened in the first quarter of 2023. Learnings from implementation of the updated supplier qualification process will strengthen HydrogenPro's sourcing routines and will be useful when adopting a shared policy and process for the whole group.

Despite challenges due to Covid19, HydrogenPro has accomplished establishing manufacturing activities in Tianjin, China with remarkable speed during the latter half of 2022. To deliver on awarded purchase orders, a strong emphasis has been put on quality, price, and capacity requirements in dialogue with suppliers. The core objective has been to establish a good relationship, involving efficient communication, shared culture and values, as well as predictability. As we move into 2023, a full implementation of HydrogenPro's supply

chain management process in our Chinese operations will take place. HydrogenPro China's general terms and conditions for purchase cover topics such as environmental management, health and safety, compliance, and business ethics.

With regards to the environmental impact of the supply chain, all the suppliers to HydrogenPro China fulfil Chinese government's requirements of wastewater treatment and pollution. However, as we aim to take a proactive role and minimise our negative impact, we are continuously looking for new suppliers to ensure an even higher level of environmental standards. A challenge for the procurement team in China is the fact that many of the key suppliers are single source, meaning they are the only ones that can deliver the materials, components and processes that are needed in the manufacturing process. The technology team and the procurement team are working together to find alternative suppliers and to assess whether HydrogenPro can establish own production and start to insource critical processes that are outsourced today. An example of a process that HydrogenPro wants to insource in time is nickel coating. A dialogue is established to find a suitable industry park, and planning of environmental analysis by consultancy agencies is next in line.

With regards to the social impact of the supply chain, routines are being implemented to screen for corruption, child or forced labour, and worker's health and safety. As a mitigating effort, we have visited all the key suppliers, and no corruption or violations of human or worker rights have been discovered.

The procurement team in China is recruiting to build capacity for a more thorough assessment and audit of suppliers with regards to social and environmental aspects. This will also involve adoption of the supply chain management processes that will be implemented on group level through 2023.

Transparency Act

The supplier qualification process is also undergoing adaptions related to the Norwegian Transparency Act ("Åpenhetsloven"). This legislation establishes requirements for Norwegian enterprises to carry out due diligence of fundamental human rights and decent working conditions in own operations, in supply chain and among business partners, and to report on the due diligence activities they have carried out. HydrogenPro has started this work and is preparing for reporting on the Transparency Act during first half of 2023.

Innovative product design

Design for circularity

HydrogenPro is built on an innovative culture with employees continuously looking for improvements and new technology opportunities. As a new and fast-moving actor in the hydrogen sector, we have the potential to bring with us a circular economy right from the beginning. We work to establish a product design process where the customer's expectations of functionality as well as circular principles of product design are top of mind. The seven EU Taxonomy design principles are useful guidelines in our innovation process: (1) Design for long lifetime, (2) design for repair and guarantee, (3) design for remanufacturing, (4) design for dismantling, (5) design for recyclability, (6) proactive substitution of hazardous substances and (7) information to customers. Our long-term goal is that all components and parts in our electrolysers easily can be dismantled, repaired, and reused.

When developing our 3rd generation electrodes, it has been important for us to create plug-and-play technologies that allow for the new electrodes to easily be installed in old cell stack designs during overhaul. We also design the electrolysers so that the bipolar steel plates can easily be dismantled, returned, and replaced. Today, our service agreements with customers cover repair and refurbishment of 40% of the bipolar plates after 10 years, and additional 60% of the plates after 20 years. All other steel parts in the electrolyser, that is end plates, mid plate, and bolts, are reused. Refurbishment can be done as long as the steel components meet the quality requirements, which can be up to 30 years. We are exploring new business models where we offer "electrolysers as a service". This implies that whenever an electrolyser needs overhaul (preferably on a 10-year frequency) our customer can just exchange it with another electrolyser that is already refurbished by us.

Innovative product design is a consequence of the high focus on technology leadership and R&D in the organisation. Moving forward, we will enhance our circularity capabilities and infrastructure in order to reduce our environmental footprint and enhance the potential of our business model.

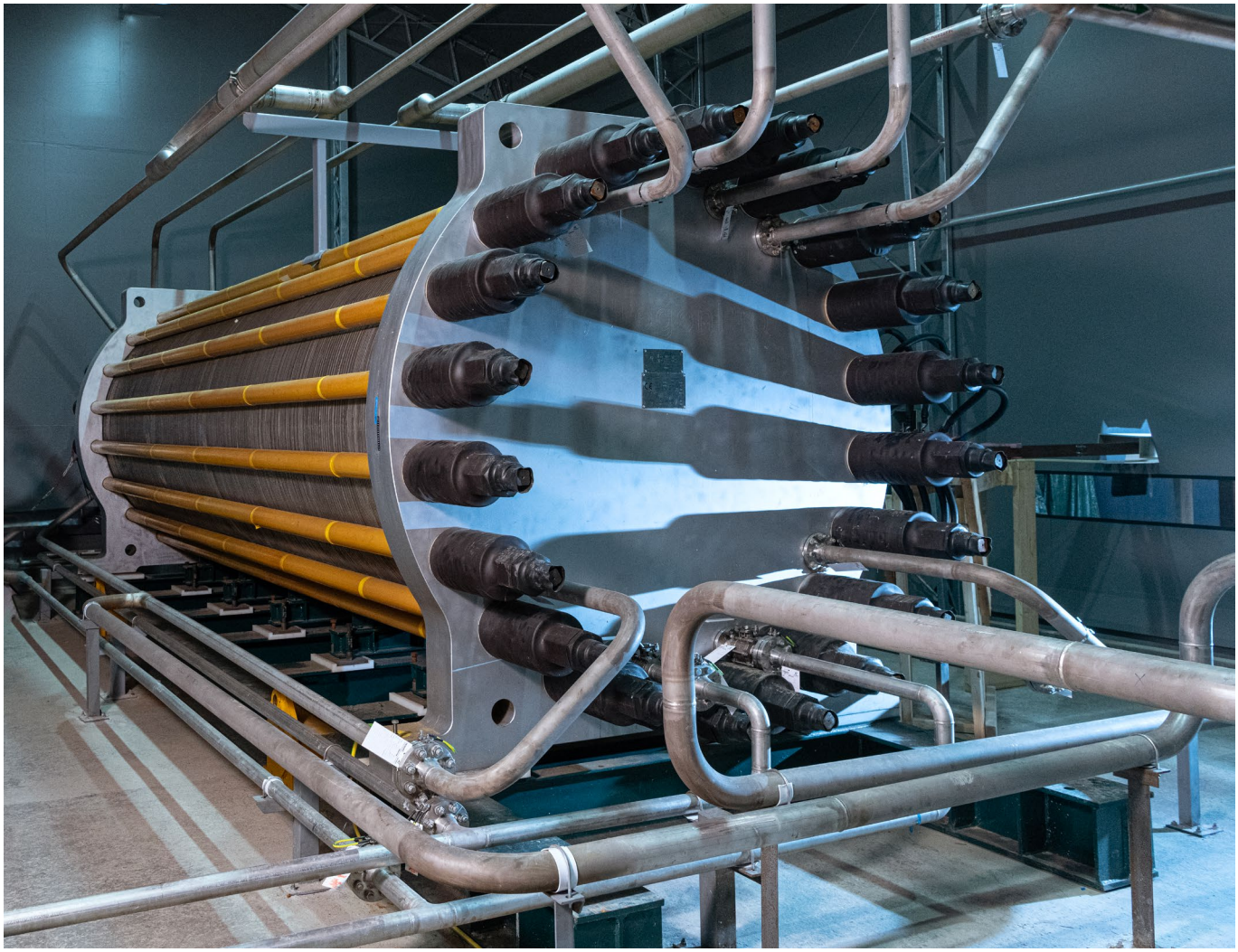
Valuable materials

All raw materials are valuable resources that should be spent wisely and with moderation. We select raw materials with care, taking into account the environmental footprint following from extraction, processing and disposal of the raw material. We are continuously balancing material performance and customer requirements with out aim to reduce spent resources.

There is a limited number of input materials that are needed to produce HydrogenPro electrolysers. Our main material inputs are steel, polymers, and nickel, in addition to some chemicals and lye. Our electrode technology does not rely on any noble metals, rare-earth elements, or PFAS.

This winter we have taken great steps when it comes to product design and material use. We have experienced that by experimenting with the nickel coating thickness of our electrodes, we can reduce the nickel usage significantly and at the same time optimise the electrolyser performance. Reducing nickel consumption has several environmental benefits, such as reduced land-use, energy consumption, and local pollution.

Steel is the major material input in the manufacturing of HydrogenPro electrolysers.



The steel plates that we purchase are not delivered in the exact shapes and sizes that we need for our electrolysers. This leads to a considerable quantity of steel scrap, which has attracted significant attention within our technology department. We are in close contact with our steel supplier to explore different possibilities to minimise steel scrap. As they will need to invest in new equipment to deliver new shapes, the crucial factor is when we are in a position to commit to sourcing a sufficient quantity of steel plates in the right dimension. This requires that we reach a certain company size and that we have sufficient financial predictability and backing. We are determined to increase material efficiency and reduce scrap. For further details on how we approach our steel usage, see chapter on Sustainable and local manufacturing.

Customer engagement

To increase circularity and minimise waste across the whole value chain, it is important to us to work closely with both suppliers and customers. Empowering customers to take wise decisions during operations greatly enhances the lifespan of the equipment. Therefore, we ensure that our customers are well informed on how to operate the electrolyser, how they treat the different components, and what procedures should be followed to perform preventive maintenance routinely. We are working to develop customer documentation systems that include detailed sourcing and quality documentation for all raw materials and components. We are also developing customer guidelines and criteria for refurbishment and material recycling. We aim to provide service and maintenance to our customers in an efficient manner that enhances the circularity of our products, and work to establish procedures and infrastructures that are needed to succeed.

A safe and attractive place to work

People and people capabilities are at the centre of value creation, culture, and performance. To be able to deliver on the strategic priorities of the company, HydrogenPro needs to employ the right people. To do so, we must be a safe and attractive place to work. This is of material importance for us, both because our success at delivering on other material ESG topics is influenced by this, and because it has a direct social impact on the people working in HydrogenPro. Being a safe and attractive place to work ensures that we can attract and hire the best candidates. HydrogenPro is a company working with high-end technology, engineering, manufacturing, research & development (R&D) and assembly. To scale up and reach our goals, having expertise and the right knowledge available is mandatory and a prerequisite for our success. To be a safe and attractive workplace, we have high focus on occupational health and safety, training and development, diversity, openness, and equal opportunities.

Our people

HydrogenPro aims to become a world-leading provider of high-pressure alkaline electrolyser technologies and solutions that meet the highest standards for safety, reliability, and long service life. Our employees are HydrogenPro's most important asset, and the key factor to reach our strategic ambitions and creating shareholder value. As HydrogenPro is in a rapid scale-up phase there has been several hirings to the team in 2022. The total number of employees increased from 25 in 2021 to 143 at year-end 2022. Across all geographies we see that we have a low turnover, and that the people we hire tend to stay with us. We strive to have a company culture that is characterised by our values: courage, integrity, collaboration, and innovation. Every employee is an important contributor for HydrogenPro to reach our ambitious goals.

Norway

14 new employees started their roles at HydrogenPro ASA in 2022 in a mix of junior and senior positions including executive management. Getting access to the best candidates with the right key knowledge profile has been challenging, especially when it comes to the more technical fields. This has led to a more offensive hiring process, where we combine company marketing and search for candidates. For most roles we offer the possibility to work either at our Porsgrunn office, or in Oslo, as some candidates are more easily accessible in the capital area. The total number of full-time employees at year end was 34. Sick leave for 2022 ended at 0.65%, well below the company target of 4%. Our Oslo office was expanded from one to five employees, and we moved into a more suitable office space. We established an occupational health service in the company during 2022 and made an agreement with "Bedriftshelsen AS" to provide these services.

Great Place to Work

In 2021 we decided to conduct a culture and employee study of our Norwegian operations during 2022. This is important as a part of improving the insights and understanding of where we stand today on various HR-related parameters, and we wanted to compare our workplace with other great workplaces. Because of that, we have entered a long-term cooperation with the Great Place to Work® Institute. All employees in the Norwegian organisation were invited to participate in a survey (all personal responses were confidential) answering 60 statements measuring the level of Trust, Pride and Camaraderie at the workplace. The survey was conducted in December 2022. The response rate was 83% - which is very good and above average for similar surveys.

The overall Trust Index came in at a score of 67. The "Nasjonal Tillitsindex" (all companies in Norway) is approximately at the same Trust Index score as HydrogenPro. The score of the top 10 companies within the same company size range as HydrogenPro, was 90. Thus, HydrogenPro has room for improvements.

The results have been assessed and discussed within the various departments, where the 3-4 key priority areas have been identified and an action plan for improvement has been agreed upon within each department. The management team has, based on the input and feedback from the organisation as well as its own assessment of the results, defined 3-4 key priority areas for the company with an overall action plan for improvement during 2023.

The target for a new survey to be conducted by the end of 2023 is a Trust Index of 90 and will be evaluated in December 2023 .

Denmark

In Denmark, HydrogenPro was a total of five full-time employees at year-end, same as in 2021. In addition, three part-time workers were hired, and two full-time consultants. Through collaboration with Aarhus University, two industrial PhD students from Biological & Chemical Engineering have been employed. Hereto comes an additional PhD student on flow cell modelling through a granted Eurostars project. In total, 11 R&D projects were granted in 2022 in Denmark which will lead to several shared students in 2023 as well as new full-time employees. HydrogenPro Denmark, Advanced Surface Plating, is considered an attractive employer. Hence, getting access to skilled labour has been easy through existing employee networks and our increasing research activities. The sick leave in HydrogenPro Denmark was as low as 0.1% in 2022.

China

All 105 employees in China are full-time workers and were hired in the period June-September 2022. Approximately 30 people work as staff, the rest are employed in manufacturing. Some of the new hires are engineers with experience in electrolyser manufacturing, however, it has been particularly difficult to get access to skilled labour in this region. This has required extensive training of the new hires. Building a factory and an organisation from scratch has required high focus on developing a culture based on trust, tolerance, and transparency. The team is growing dynamically, and the organisational structure is coming together piece by piece. The sick leave for the last four months of 2022 was 3.3%, mainly driven by covid19.

Collective bargaining agreements

At HydrogenPro there are no employees covered by collective bargaining agreements. We do inform our employees about the possibilities to participate in unions and collective bargaining agreements. When operating in countries where the right to freedom of association and collective bargaining is limited through local legislation, we inform our employees about their rights in the personnel handbook.

In the event of operational changes, we ensure that we are compliant with local legislation and give employees notice in due time. We are compliant with The Working Environment Act in Norway and local legislation in the other countries where we operate. In 2022, HydrogenPro joined forces with other industry companies in The Federation of Norwegian Industries (Norsk Industri), the largest association within the overall Confederation of Norwegian Enterprises (NHO).

Diversity and inclusion

We value diversity in our team at HydrogenPro. Our recruitment policies are inclusive and designed to guide our recruitment towards reaching our strategic goals. As communicated in our 2021 Annual Report, we have an ambition to have a minimum of 25% females by 2025 across all geographies. In 2021, the female ratio reached 15%. During 2022 we have had strong focus on finding and recruiting highly qualified females and we came in at 24% by the end of year 2022. Thus, we have taken significant steps towards reaching our 2025 ambition. We will continue to engage with local universities and educational organiations to encourage females to pursue a career within the hydrogen industry, to increase the diversity in HydrogenPro and the industry at whole. In addition to gender diversity, we are striving to have cultural diversity at all locations, and to make sure all employees are feeling included and valued.

We follow our governance and compensation routines for all employees with equal pay for equal work and with zero tolerance for discrimination. Our compensation average is well above the minimum wage rules for all geographic locations, and we are competitive in attracting both talent and experienced resources to HydrogenPro. In 2022, the remuneration ratio of men to women was 1.09 in our Norwegian operations and 1.13 for our Chinese operations. In Denmark, only men were employed by year-end 2022.

Occupational health and safety

People are our core resource, and we have the health and safety of our employees as a top priority. We have a strategic ambition to have zero accidents and work-related injuries in HydrogenPro. As we are ramping up manufacturing and testing of electrolysers, we see that the number of injuries has increased, too. In 2022, we had three recordable injuries, one in Norway at our testing facilities at Herøya, and two at our manufacturing plant in China. No accidents were reported for Denmark. In addition, we had eight first aid injuries, three in Norway and five in China. The incidents were related to chemical burns from KOH (lye), as well as small scratch from sharp blades and iron fillings. To mitigate chemical burns from lye, we have implemented changes in our training programs, as well as increased emergency preparedness. This includes adhering to routines and processes, such as wearing necessary safety equipment, including helmets, gloves, and glasses. Our zero accidents and work-related injuries ambition is ongoing as a top priority for HydrogenPro.

HydrogenPro ASA in Norway has been ISO45001-certified, covering an occupational health and safety management system. HydrogenPro China is currently working to get the ISO45001-certificate. An important part of ensuring occupational health and safety for all our employees is to perform thorough risk identification and assessment procedures to continuously improve our safety routines and standards. In case of incidents, an important part of the risk assessment process is to conduct thorough investigations to get a better understanding of how such incidents can be avoided. This has been done both in Norway and in China. HydrogenPro China has also developed environmental and safety emergencies plans, which are centered around the manufacturing process. In case of changes in the manufacturing process, the emergency plans will be updated accordingly.

Training and development

Comprehensive training of employees was conducted in 2022, especially at our manufacturing facilities in China. As the whole work force was hired in 2022, the first months of operations comprised extensive training of all the new employees. A total of 2592 hours of training was conducted by the workers at the Tianjin facility in 2022, and additionally, 487 hours by management. All employees at the Chinese part of the company went through basic training, including HR introduction and HSE (health, safety, and environment) training covering safety in the offices and manufacturing facilities. The training was concluded with an exam. Factory workers participate in more comprehensive training, particularly within safety, as well as skills specific programs such as e.g. how to drive a forklift, electrical permission training, etc. The manufacturing workers are categorised into 5 distinct levels based on their respective skills. When basic training is conducted, the workers are at level 3, and they are allowed to participate in the production process under supervision. When they reach level 4, they can perform standard operating procedures unsupervised, while employees at level 5 have supervisory responsibilities and may also help train new workers. The skill categories are also linked to the employee's base salary. In addition to manufacture-related training, necessary first aid training has been initiated, and we are well on our way to achieving a first aid certificate at company level. All first aid training is carried out by a third party, having the necessary qualifications for such work in accordance with local regulations. All training is reported to local governments in accordance with regulatory requirements.

In Norway, we plan to conclude our competency and development mapping of all employees during 2023 which will be structured in our management system. This mapping will be the foundation to ensure a structured approach to train and develop as a team and as individuals and will be included in the annual employee review. We established and implemented management systems for training of all our new employees during 2022, and all new employees underwent training that typically lasted about two hours per person. New personnel working with electrical, hazardous, and chemical processes conducted training of up to 5 hours per person. All relevant employees (new and existing) went through first aid training in 2022 to enable early response to health and safety issues.

Ongoing development of our personnel is important to ensure a sustainable and increasingly educated workforce. Along with our growth in employees, we will seek to develop a systematic approach to ensure optimal training and personal development. As we scale up, employees will be trained both in HydrogenPro general topics and in specific topics according to the employee's tasks and roles. Our ambition is to have one culture, one set of attitudes, be compliant with local legislations and ensure a holistic governance across all facilities including occupational health service functions. We want to be a learning organisation where the skills of our employees are constantly improving.

People governance and whistleblower mechanisms for our Norwegian operations

To ensure a coherent business and social conduct there are two main structures that will empower employees to behave and perform their work appropriately: The quality management system, TQM, and the personnel handbook. The procedures established, along with the ISO9001 certification, guide employees to implement the organisation's policies and practices for responsible business conduct including how to potentially raise concerns through an established whistleblowing process.

These guiding mechanisms and procedures are informed about and demonstrated at the very start of every employment through routine team meetings, one-to-one dialogue between the employee and their closest manager and on HydrogenPros's intranet. Through the same fora and information channels, the employees can seek advice and discuss the topics as desired. The personnel handbook provides clear instructions on how to address and report critical concerns to the executive level and Board level, through an established whistleblowing policy. Through the onboarding process and information provided annually, all employees are encouraged to report incidents of concern as an important tool to develop our structures, performance, and culture. Issues can be reported anonymously, and the matter will be handled at Board level. For the reporting period (2022), there were one reported incident of concern in Norway that has been handled and closed.

We aim to implement our whistleblower policy in our international operations during 2023.

Governance

Board of Directors Report

Highlights

2022 marks the take-off for green hydrogen both on a global scale and for HydrogenPro. It has been a defining and transformative year, positioning HydrogenPro as one of the leading companies within the green hydrogen space, setting a new industry standard with our large-scale green hydrogen technology & systems.

HydrogenPro has been chosen as the exclusive electrolyser supplier for the world's largest green hydrogen project to date, the 220MW Advanced Clean Energy Storage (ACES) project in Utah, USA. The scope of delivery extends into 2H 2023 followed by on-site work with completion in late 2024, and HydrogenPro started to recognise some revenues already in 2022. HydrogenPro has also signed a 10-year service and support agreement for the ACES project, demonstrating our strategy to be an integrated life cycle partner to our customers.

During 2022, HydrogenPro established and completed our production plant in Tianjin, China. The plant is 75% owned by HydrogenPro ASA, and the company has full ownership of the technology. The plant has an annual capacity of 300 MW and is already producing electrolysers to supply the ACES project in Utah. The establishment of this plant represents a first and important manufacturing footprint for HydrogenPro.

The initial testing of the world's largest high-pressure alkaline electrolyser at Herøya Industrial Park is completed. The 5.5-megawatt electrolyser has been validated to produce 1,100 Nm3/h hydrogen at normal current density. This equals 100 kg of pure green pressurised hydrogen per hour, setting a new standard for the industry, and verifying that our electrolyser and gas separator technologies will produce hydrogen on a large scale.

HydrogenPro is chosen as supplier for alkaline high-pressure electrolysers for DG Fuels' 840 MW plant in Louisiana, USA. This contract value for HydrogenPro is >USD 500 million, excluding life cycle services. A final investment decision (FID) is expected in 2023. The plant has secured off-take agreements for 100% of its capacity. With satisfactory raise of capital, DG Fuels expects to establish similar projects in other US states, announcing a land agreement in Maine in November 2022. HydrogenPro is an attractive supplier in these projects.

We have established and opened offices in Boston, USA and in Duisburg, Germany, ramping up presence and sales in line with our strategy on global footprint. The number of employees has increased to 143, up from 10 employees at the IPO in October 2020.

HydrogenPro's advanced electrode technology has been tested for the first 1000-hour run, and the first results are showing significant performance efficiency improvements, marking the start of our 3rd generation electrolyser technology.

HydrogenPro completed a successful uplisting to the main list at Oslo Børs, marking the start of a new era effective 3 October 2022.

Tarjei Johansen was appointed new Chief Executive Officer of HydrogenPro in November. He brings extensive experience from executive positions in Schlumberger, Kemira and Bureau Veritas, and is a merited leader, fit to develop HydrogenPro into a global player within the green hydrogen space.

In August 2022, President Biden signed the Inflation Reduction Act, making the US an epicenter for green hydrogen. This has created unique opportunities for HydrogenPro, with our strategic focus on large-scale solutions combined with our current projects in the US, positioning us well into 2023 and beyond.

We ended 2022 with a backlog of NOK 747 million and an active sales pipeline of 18.5GW of electrolyser capacity. We are ready for 2023.

Financials

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis and that the going concern assumption applies. Pursuant to Section 3-9 of the Norwegian Accounting Act, HydrogenPro prepares consolidated annual accounts in accordance with IFRS (International Financial Reporting Standards), approved by the EU. The statutory accounts of HydrogenPro ASA have been prepared in accordance with the Norwegian regulations concerning annual accounts.

Income statement

NOK MILLION	2022	2021
Revenue from contracts with customers	56.4	20.0
Cost of goods sold	44.4	11.6
Personnel expenses	52.4	17.9
Other operating expenses	53.9	27.2
ADJ. EBITDA (EXCL. NON-CASH OPERATING EXPENSES)	**-94.3**	**-36.7**
Non-cash cost of incentive programs/payrolls	10.3	15.0
Non-cash accruals/provisions	0.7	3.6
EBITDA	**-105.3**	**-55.2**
Depreciation and amortization expenses	14.0	5.2
EBIT	**-119.3**	**-60.5**
Net financial income and expenses	29.3	3.1
Profit/(loss) before income tax	-89.9	-57.4
Income tax expense	-0.1	-1.0
PROFIT/(LOSS)	**-89.8**	**-56.4**

HydrogenPro generated revenues of NOK 56.4 million in 2022 (NOK 20.0 million in 2021) which was mainly related to the purchase order from Mitsubishi Power for the world's largest single stack high-pressure alkaline electrolyser system and the ACES project.

Cost of goods sold amounted to 44.4 million (NOK 11.6 million in 2021) in raw materials and consumables, all related to purchase orders from Mitsubishi Power.

Personnel expenses increased from 17.9 million in 2021 to 52.4 million in 2022 as the number of employees went from 25 at year end 2021 to 143 at year end 2022. The large increase in number of employees is both related to ongoing activity to deliver onexisting contracts and upscaling for future growth.

Other operating expenses amounted to 53.9 million (NOK 27.2 million in 2021), mainly related to consultancy fees and external personnel. The increase in operating costs reflects a continued build-up of the organization and systems needed to execute and deliver high quality products and services. Throughout the year there was an ongoing project implementing a new ERP-system with external personnel and consultants, in addition external support related to the up-listing to Oslo Stock Exchange.

Depreciation & amortisation expenses of NOK 14.0 million (NOK 5.2 million in 2021).

Operating profit was NOK -119.3 million.

NOK MILLION	2022	2021
Interest gain/-expense	3.4	2.1
Net foreign exchange gain/-expense	4.2	2.3
Other finance income/-expense	21.7	-1.3
NET FINANCIAL ITEMS	**29.3**	**3.1**

Net financial income and expenses amounted to NOK 29.3 million, which consisted of NOK 40.4 million as financial income and NOK 11.0 million as financial cost. The increase in other finance income is mainly due to the fair value adjustment for financial instrument, refer to note 3.4 in the financial statement.

The Company has not entered into any financial instruments for hedging purposes.

Tax on ordinary result was NOK -0.1 million (NOK –1.0 million in 2021), mainly related to deferred tax assets on depreciation of technology.

Annual net profit for the year ended at NOK -89.8 million (NOK –56,4 million in 2021) and will be transferred to other equity

Balance sheet

NOK MILLION	31.12.2022	31.12.2021
ASSETS		
Intangible assets	64.4	49.0
Property, plant and equipment	55.5	22.6
Financial fixed assets	74.5	53.3
Total Fixed Assets	**194.5**	**124.9**
Current operating assets	121.7	20.9
Cash and cash equivalents	257.0	382.3
Total Current Assets	**378.7**	**403.2**
Total Assets	**573.2**	**528.1**
EQUITY AND LIABILITIES		
Total equity	**437.8**	**511.3**
Total long-term liabilities	11.3	1.4
Total short-term liabilities	124.0	15.5
Total liabilities	**135.3**	**16.8**
Total equity and liabilities	**573.2**	**528.1**

Total assets as of 31 December 2022 were NOK 573.2 million, whereof NOK 378.7 million in current assets (NOK 257.0 million in cash and deposits, NOK 85.9 million in total debtors and NOK 35.8 million in inventories) and NOK 194.5 million in non-current assets, whereof NOK 64.4 million in intangible assets, NOK 55.5 million in tangible fixed assets and NOK 74.5 million in financial fixed assets.

The development in intangible assets and property, plant and equipment are mainly due to the acquisition of HydrogenPro Tianjin Ltd. For more information, see note 3.1, 3.2, 3.3 and 4.2 in the financial statement.

On 29 October 2021 HydrogenPro invested USD 3 million (recognised to NOK 25 million at date of transaction) in a convertible note to DG Fuels LLC. DG Fuels LLC develops a sustainable aviation fuel (SAF) project in Louisiana, US which requires approx. 840 MW of electrolysis capacity where HydrogenPro is the selected supplier. The fair value assessment per 31 December 2022 is 52.1 MNOK. For further details, please see note 3.4 in the financial statements.

Total equity amounted to NOK 437.8 million and total liabilities of NOK 135.3 million, whereof NOK 124.0 million in short-term liabilities and NOK 11.3 million in long-term liabilities/provisions.

The equity ratio as of 31 December 2022 was 76%.

Cash flow statement

NOK MILLION	2022	2021
Cash balance start of period	**382.3**	**506.1**
Net cash flow from operating activities	-69.4	-47.5
Net cash flow from investing activities	-51.9	-78.1
Net cash flow from financing activities	-4.0	1.7
Total changes in cash	**-125.3**	**-123.9**
Cash balance end of period	**257.0**	**382.3**

Net cash flow from operating activities was NOK -69.4 million, compared to -47,5 million in 2021 The development is mainly due to higher personnel expenses driven by increase in full-time employees.

Net cash flow from investing activities of NOK -51.9 million. This includes NOK 32.5 million related to the acquisition of HydrogenPro China and NOK 9.7 million invested in the manufacturing capacity. These investments have secured an annual manufacturing capacity of 300 MW, and enables the Company to manufacture the awarded purchase orders, published on 4 April 2022 and 19 April 2022, respectively. Add as NOK 4.0 million related to the completion of the full-scale electrode fabrication facility in Aarhus, Denmark

More details regarding investment, refer to note 3.1, 3.2, 3.4 and 4.2 in the financial statements.

Net cash flows from financing activities were NOK -4.0 million, and the increase is mainly due to lease payments.

Shares and dividend

HydrogenPro is listed on Oslo Stock Exchange under the ticker "HYPRO".

As of 31 December 2022, the number of shares outstanding was 58,028,171 each with a par value of NOK 0,02/share. All shares are of the same class and with equal voting and dividend rights.

The market capitalization as of year-end 2022 was NOK 1 679.9 million vs. NOK 868.1 million as of year-end 2021, i.e. an increase of 93.5% during 2022.

Given the Company's early stage of development and strategic ambitions, the Board of Directors does not recommend a dividend for the year 2022.

Risks

Through its ordinary operating activities, the Company is exposed to various types of risk and the exposure to risk has increased during 2022 as the Company has a manufacturing site in Tianjin, China in operation. The Company is proactively working to identify risks and taking risk-mitigating initiatives to the extent this is practicable and appropriate.

Below follows a description of the Company's main risks and uncertainties. Additional risks and uncertainties that the Company currently believes are of less importance or that are currently not known to the Company, may also have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

Demand for hydrogen and thus the interest in acquiring the Company's services, may be volatile and are affected by numerous factors beyond the Company's control. Some of these relate to the cost of producing and delivering hydrogen, expectations regarding future energy prices, governmental laws, regulations and permissions, local and international energy and climate policies and economic conditions, technological changes, delivery and schedule risks, transport risks, Covid 19 lockdown, etc.

Furthermore, the Company depends on its' ability to ensure sufficient product quality and performance of the electrolyser systems to meet the customer's expectations and to remain competitive.

Violations of and/or changes in laws and regulations, including environmental laws could increase costs or change the way the Company does business. Similarly, changes in laws could make operating the Company's business more expensive or require the Company to change the way in which it conducts its business. The hydrogen industry is in its development phase and is not currently subject to industry-specific government regulations in all regions.

Disruptions of deliveries by the Company's suppliers could increase operating costs, decrease revenues and adversely impact the Company's operations. Commodity price risk, especially steel and nickel prices, may affect production costs, product pricing, earnings, and credit availability. The Company seeks to mitigate raw material price risk and foreign exchange risk through clauses in contracts, financial instruments, or fixed prices with suppliers to reduce the Company's exposure.

The Company may be subject to litigation that could have an adverse effect on the Company's business, results of operations, cash flows, financial condition and/or prospects. There are inherent risks related to the Company's business which may expose the Company to litigation, including personal injury litigation, environmental litigation, contractual litigation with clients or other contract counterparties, intellectual property litigation and tax or securities litigation. The Company is not involved in any litigation.

A further spread of the corona virus (COVID-19) or a similar pandemic could potentially have a material adverse effect on the Company.

The Company uses information technology systems to conduct its business, and disruption, failure or security breaches of these systems could materially and adversely affect its business and results of operations.

The Company's functional currency is NOK. The Company operates globally and is therefore exposed to currency fluctuations, mainly related to USD, EUR and CNY. The Company's exposure to interest rates was mainly related to interest earned on the Company's cash position with banks. The Company's exposure to currencies and interest rates is managed on a continuous basis.

The Company is exposed to credit risk. Any failure in the ability or willingness of a counterparty to fulfil its contractual obligations may have a significant adverse effect on the Company's business, prospects, financial results and/or results of operations.

The Company may require additional capital in the future to execute its strategy or for other purposes, which may not be available on favourable terms, or at all.

HydrogenPro ASA has purchased and maintains a Directors and Officers Liability Insurance on behalf of the members of the Board of Directors and CEO. The insurance additionally covers any employee acting in a managerial capacity and includes subsidiaries owned with more than 50%. The insurance policy is issued by a reputable, specialized insurer with appropriate rating. Directors' & Officers' Liability Insurance provides financial protection to HydrogenPro's directors, officers, and any employees that can incur personal liability for claims made against them in respect of acts committed, or alleged to have been committed, in their capacity as such and as a result of an error, omission or breach of duty.

Sustainability

The Board is responsible for the Company's sustainability strategy and reporting, while the day-to-day responsibility for managing impacts, both financial, environmental, and social, is delegated to the Executive Management. In 2022 HydrogenPro hired a Head of Investor Relation and ESG, who reports to the CFO.

Our sustainability efforts and corporate social responsibility work are thoroughly described in this report. In chapter 2 we elaborate on our impact on the environment and social factors, and topics such as work environment (including work related injuries and sick leave), non-discrimination (including diversity and inclusion), and human rights are covered. Anti-bribery and corruption in the supply chain are described in chapter 2, and our internal work on ethical business conduct is elaborated on in Chapter 3, Governance. The Company is preparing to report in accordance with the Transparency Act, and the report will be published on the Company's web site during first half of 2023.

Climate risk

The Board of Directors considers ESG risks as a part of the risk management process, with a particular focus on climate risk and opportunities (see page 27-30 for information regarding climate opportunities).

Physical risk and water access

Physical risks involve risks caused by climate change. This will include risks to facilities and infrastructure, impact on operations, water and raw material availability and supply chain disruptions[1]. HydrogenPro is exposed to different types of physical climate risk. In the short term, we see water availability being the greatest physical climate risk to our operations. Green hydrogen production needs water, both as an input factor in the production and as cooling water to reduce the electrolyser temperature during production. In areas where water is a scarce resource following climate changes, this may reduce the attractiveness of our products as water may be reserved for other purposes.

Water consumption from production of hydrogen is the same, independent of electrolysis manufacturer, as it takes one water molecule (H_2O) to produce one hydrogen gas molecule (H_2). However, the need for cooling water differs between the different electrolysers in the market. We aim to reduce the need for cooling water in our electrolyser by developing 3rd generation electrodes technology, where the cooling water need is significantly reduced due to higher energy efficiency and lower power consumption. On the longer horizon, HydrogenPro's facilities could be at risk for extreme weather events because of climate change. All our facilities as of now are located in established industry parks with flood and fire protection etc. We take this risk into consideration when deciding on establishing new offices and manufacturing facilities.

Transition risk

Transition risks typically refer to risks associated with transition to a low carbon economy. This transition can entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate changes that might impact our ability to do business[1]. HydrogenPro is exposed to several types of transition risks, both in the short, medium, and long term. In the short term, we are facing the risk of moving too fast or too slow to meet customer demands and potentially becoming an early mover with no customers, or a follower that is too slow to catch up. This risk is a result of the rapid and unclear development of the green hydrogen space, where customer demand and competition composition evolve weekly. The regulatory landscape and incentive programs in Europe and the US are to a high extent driving the evolution of the new hydrogen economy. Our response to this is to follow the market closely and seek to maintain a flexible cost structure while at the same time build our manufacturing capacity.

On a medium-term outlook, HydrogenPro is exposed to the risk that green hydrogen's importance in a low-carbon society could change significantly, and by that, the customer demand for electrolysers could fall. This could follow from technological breakthroughs for other low-carbon hydrogen solutions, such as blue hydrogen using carbon capture and storage, or alternatives to hydrogen, such as batteries for deep-sea shipping and long-haul transportation. This is not something HydrogenPro works to mitigate, as these tech-

nologies would be important steps to mitigate climate change and reach the 2050 net zero targets. Instead, we aim to diversify our customer base to reduce the potential impact of such technological breakthroughs by being a relevant supplier for several types of end-users. As an example, our high-pressure alkaline electrolysers are a perfect fit for clean energy storage, where excess renewable energy is captured when it is most abundant and stored as hydrogen. As the world depends on renewable energy to reach the Paris agreement, we believe this is a market where green hydrogen will be of high importance.

A final transition risk that has become of higher relevance in the first months of 2023 is the risk of reduced development of renewable energy due to environmental considerations besides climate change. This could result in less hydropower to preserve rivers or fewer wind farms to preserve land and biodiversity. Social considerations can also play an important role, as seen in Norway following the Indigenous Sámi protest against the Fosen windmills in March 2023. Wind farms have been constructed in the Sámi areas at the Fosen peninsula, threatening the right to practice the culture of the Indigenous Sámi people in the area. While HydrogenPro does not develop renewable energy, our customers are dependent on renewable energy as a critical input factor to produce green hydrogen. Therefore, we consider this a risk to our business model. Mitigating efforts are hard to implement. However, we recognise that we are part of an industry quickly evolving, and that we need to collaborate closely with partners and industry peers to ensure that environmental and social considerations are taken into the equation. We will strive to find the most sustainable solutions both for today and the years to come for development of new renewable power production.

Corporate governance report

Our ambition is to become #1 provider of large-scale hydrogen technology & systems. This entails strong commitments to high standards relating to working environment and personnel welfare, environmental impact, and business practices.

Following the IPO on Euronext Growth in October 2020, the Company implemented guidelines, policies and procedures relating to human rights, employee rights and social matters including prevention of corruption, harassment, and discrimination.

This has been further enhanced following the Company's uplisting to the main board on Oslo Stock Exchange on 3 October 2022, with the establishment of an audit and risk committee, nomination committee and remuneration committee. The Remuneration Report is publicly available on the Company web site.

For further information on corporate governance, please see Corporate Governance Report in the next main section.

Key events after the balance sheet date

On 20 March 2023 HydrogenPro announced plans to establish a 500 megawatt manufacturing facility in Texas, USA. With this, HydrogenPro will take a market-leading position and become the only viable large-scale player providing high-pressure alkaline electrolyser technology and systems in the US. This move will increase HydrogenPro's manufacturing capacity to 800 megawatt in total and represents a big step in establishing a global presence. The estimated total investment will be up to USD 50 million. The investment cost includes a separate advanced electrode manufacturing facility, representing a technology game changer in the HydrogenPro solutions offering. The new site will have the option to significantly scale up the capacity to several gigawatts in due time and the US organization will be ramped-up in parallel with the manufacturing expansion.

Outlook

With the significant increase in the active sales pipeline and contract awards, the outlook for the Company's services is strong. The purchase order with Mitsubishi Power Americas, Inc. announced on 4 April 2022 is one of the world's largest electrolyser systems contracts ever placed. This was an important milestone, and the Company sees a strong demand for its services with an active sales pipeline of 18.5 GW at end of 2022. HydrogenPro sees a strong demand for its early phase and front-end engineering studies. Clients continue to mature projects and financing and move towards final investment decision. The outlook for the Company's services continues to strengthen, as shown with a significant increase in the active sales pipeline and recent contract awards.

The main objective of the Company's global expansion plan is to become a global leading supplier with industry-leading technology. The new manufacturing facility in Texas will be a bridgehead into the North American market and another major step in establishing a global footprint.

One of the Company's top strategic priorities is to maintain a constant focus on technology and innovation in order to reinforce its position as a technology leader. This is evidenced by the Company's R&D pipeline of approx.. NOK 150 million. The third-generation electrolyser technology with the advanced electrodes will undergo further validation during 2023 and several other innovative efforts will be carried out to maintain cost leadership. With the new technology, the Company will be able to deliver a Levelised Cost of Hydrogen ("LCOH") of USD 1.20 per kg (assumed electricity price of USD20/MWh).

HydrogenPro is attractively positioned in this developing market due to its proven high-pressure alkaline technology in combination with energy-efficient electrode technology.

Porsgrunn/Oslo, 30 March 2023

(All signatures electronically signed)

Ellen Merete Hanetho	Donna Rennemo	Jarle Tautra	Vivian Espeseth	Jarle Dragvik	Tarjei Johansen
Chair of the Board	*Board member*	*Board member*	*Board member*	*Board member*	*CEO*

NUES Corporate Governance report

1. Implementation and reporting on corporate governance

HydrogenPro and its subsidiaries (the "**Company**" or "**HydrogenPro**") aims to become a world-leading provider of high-pressure alkaline electrolyser technologies & solutions that meet the highest standards for safety, reliability, and long service life. HydrogenPro is committed to high standards relating to working environment and personnel welfare, environmental impact, and business practices. We endevaour to complying with principles of corporate responsibility in our daily operations that demonstrate integrity and transparency. HydrogenPro reports and has policy commitments for a responsible business conduct in accordance with the Norwegian Accounting Act § 3-3b, c, OECD guidelines for Multinational Enterprises, sustainability, human rights, employee rights and social matters including prevention of corruption, labour violations, harassment, and discrimination.

The Corporate Governance addresses the framework of guidelines and principles regulating the interaction between the Company's shareholders, the Board of Directors (the "**Board**"), the Chief Executive Officer (the "**CEO**") and the Company's executive management team.

As a listed Company, HydrogenPro will comply with applicable provisions of the Norwegian Securities Trading Act, the Market Abuse Regulation (MAR), the Continuing obligations for companies listed on Oslo Stock Exchange, the Norwegian Private Limited Liability Companies Act. The Company will work closely with suppliers to ensure the same integrity, transparency and compliance as expected of HydrogenPro. HydrogenPro's Board and executive management is committed to follow The Norwegian Code of Practice for Corporate Governance and will provide explanations of any non-compliance with the Code. The corporate governance document for HydrogenPro covers all sections of The Norwegian Code of Practice for Corporate Governance and is available in the Annual report and on the Company website www.hydrogen-pro.com. For the reporting period of 2022, HydrogenPro provides an integrated financial and sustainability report addressing topics according to the Global Reporting Initiative ("**GRI**") core standards.

2. The business

HydrogenPro was founded in 2013 with a mission to design and deliver green hydrogen technology solutions in collaboration with global partners and suppliers. The Company's core product is high-pressure alkaline electrolysers, including one of the most advanced technologies in the industry. HydrogenPro employed 143 highly skilled and experienced people at year end 2022, including key personnel with leading global hydrogen expertise. The Company is currently present in Denmark, Germany, US, and China with operations that include R&D, sales offices and production, and aims to grow the global presence further in the years to come. Headquarters and test facility are located at Herøya, Norway. In 2020, HydrogenPro was listed on Euronext Growth, and in October 2022, the Company was uplisted to the main list of the Oslo Stock Exchange.

HydrogenPro has developed industry-leading high-pressure alkaline electrolysers, including the Company´s 3rd generation electrode technology, with the potential to increase efficiency of the electrolysis process by 14 percentage points. This breakthrough was made possible through our subsidiary Advanced Surface Plating in 2021. The technology aims to lower operational expenses of hydrogen production making HydrogenPro highly cost-competitive relative to peers globally. With a technology that is easy to scale depending on the input energy from renewables, HydrogenPro's large-scale electrolysers and cost-effective technology has the potential to both enable and strengthen other segments in the energy transition, whether it be wind, solar and other renewable power sources. Through its unique properties as an energy carrier, hydrogen will be key in facilitating the green energy transition.

3. Equity and dividends

The Board aims to ensure that the Company has a capital structure that is appropriate for the Company's objective, strategy, and risk profile, to ensure an appropriate balance between equity and other sources of financing, where relevant. The Board will continuously assess the Company's capital requirements related to the Company's objective, strategy, and risk profile. The Company is committed to creating long-term value for its shareholders. The Company intends to retain future earnings and cash to finance future growth, and therefore does not anticipate paying any cash dividends in the foreseeable future. The background for any proposal to the general meeting to approve the distribution of dividends will be explained. General authorisations for the Board to increase the share capital and buy own shares will normally be restricted to defined purposes and will, in general, be limited in time to no later than the date of the next annual general meeting of the Company.

4. Equal treatment of shareholders

HydrogenPro upholds equal treatment of its shareholders and potential investors. HydrogenPro has implemented a process for handling sensitive information to ensure that the Company, its employees, and representatives fulfil their obligations regarding the handling and publication of sensitive information.

There is only one class of shares in the Company and all shares carry equal rights. All shareholders will be treated on an equal basis unless there is a just cause for treating them differently in accordance with applicable laws and regulations. In the event of an increase in the share capital of the Company through the issuance of new shares, a decision to waive the existing shareholders' pre-emptive rights to subscribe for shares will be justified. If the Board resolves to issue new shares and waive the pre-emptive rights of existing shareholders pursuant to a Board authorisation granted by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the shares issue. The reasons for any deviation from equal treatment of all shareholders in capital transactions will be included in the stock exchange announcement made in connection with the transaction. Any transactions carried out by the Company in the Company's own shares will be carried out through Oslo Stock Exchange and in any case at prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company will consider other ways to ensure equal treatment of shareholders. Any transactions in own shares will be evaluated in relation to the rules on the duty of disclosure as well as in relation to the prohibition against illegal insider trading and market manipulation, the requirement for equal treatment of all shareholders, and the prohibition of unreasonable business methods.

5. Shares and negotiability

All shares in HydrogenPro carry one vote and are freely transferable. The Company will not limit any party's ability to own, trade or vote for shares in the Company. The Company will provide an account of any restrictions on owning, trading, or voting for shares in the Company.

6. General Meetings

All shareholders have the right to participate in the general meetings of the Company, which exercise the highest authority of the Company. The annual general meeting will normally be held before 30 June each year.

The general meeting shall handle the matters set out in the Norwegian Public Limited Liability Companies Act, in addition to those laid down in the Company's articles of association, including, among others:

- approval of annual accounts and annual report, including distribution of dividends, if relevant,
- amendments of the articles of association,
- share issues,
- election of auditor and board members,
- board remuneration.

The full notice for general meetings shall be sent to shareholders no later than 21 calendar days prior to the meeting. The notices for such meetings shall include documents providing the shareholders with comprehensive, specific, and sufficient details for the shareholders to form a view of all the cases to be considered as well as all relevant information regarding procedures of attendance and voting. The notice and the documents may be sent to or made available to the shareholders through electronic communication and any deadline for shareholders' notice of their intention to attend the meeting shall be set as close to the date of the meeting as possible.

The Board shall ensure that the Chair of the Board and the Chair of the nomination committee attend the general meetings. The general meeting will normally be chaired by the Chair of the Board or an individual appointed by the Chair of the Board. Having the Chair of the Board or a person appointed by same chairing the general meetings simplify the preparations for the general meetings significantly. In the Company's experience, its procedures for the chairmanship and execution of general meetings have proven satisfactory. The Company's auditor will normally be present.

Notices for general meetings shall provide information on the procedures to be observed by shareholders in order to participate in and vote at the general meeting. The notices will also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting. Shareholders shall have the right to attend by electronic means unless the Board has sufficient cause to refuse electronic participation. In addition, the shareholders have the right to vote during a specific period in advance of the general meeting to the extent allowed in the Company's article of association. Shareholders in the Company will be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting will be given the opportunity to vote. The Company will design the form for the appointment of a proxy to make voting on each individual matter possible and will nominate a person who can act as a proxy for shareholders.

7. Nomination committee

The Company has a nomination committee. The general meeting shall stipulate guidelines for the duties of the nomination committee, elect the chairperson and members of the nomination committee, and determine the committee's remuneration. The members of the nomination committee shall be elected to consider the interests of shareholders in general, and the majority of the nomination committee members shall be independent of the Board and the executive management team. Members of the Board and the executive management team shall not be members of the nomination committee. Instructions for the nomination committee shall be approved by the Company's general meeting. The nomination committee's duties shall be to propose candidates for election to the Board and the nomination committee. The nomination committee shall have contact with the shareholders, the Board, and the company's executive personnel as part of its work on proposing candidates for election to the Board. Furthermore, the nomination committee shall justify separately why it is proposing each candidate. The Company shall provide information on the members of the committee and any deadline for proposing candidates. Information regarding the nomination committee is publicly available on HydrogenPro's website.

8. Board of Directors composition and independence

The board members, including the Chair of the Board, are elected by the General Meeting. The composition of the Board is structured to represent the interests of all shareholders, meet the Company's need for expertise, capacity, balanced decision-making, diversity, and to navigate the Company in a sustainable manner. Pursuant to Article 5 of the Articles of Association, the Board of Directors shall consist of 3-7 members elected by the General Meeting. The current Board of Directors consists of five members, three women and two men. All members are elected for a term of two years and may be re-elected. Board members are encouraged to own shares in HydrogenPro, please see an overview of shareholdings by each board member included in the notes in the Annual Report. The board includes executive personnel due to the nature of the Company and its strategic development. According to the development and evolving nature of the Company, the Board intends to be an independent function of the Company. It is of utmost importance to the Board o to be compliant with prevailing laws, regulatory frameworks, and legislations regarding transactions, impartiality, instructions, and the work of the Board. The Board functions as an effective collegiate body through frequent board meetings handling of relevant and strategically important matters. The Board operates independently of any special interests. An overview of the Board can be found in the annual report and on the Company website.

9. The work of the Board of Directors

The Board of Directors ensures that the Company's business is properly organised with its purpose, values, objectives, strategies and policies developed and managed and that plans and budgets are prepared. The Board's rules of procedure and board meeting agenda address any material interests pertaining to e.g. the Company's financial position, business and asset management, accounts subject to controls, tax governance and sustainability topics including health and safety, quality, human rights, and environmental topics. This work includes management of material environmental topics, potential risks and opportunities and the Company´s potential impact on the economy, environment, and social dimension. Evaluation and initiatives required to address the impact of material topics are delegated to the executive management at HydrogenPro, led by the CEO. The CEO, or any person in which the delegation is given, has the responsibility of reporting back to the Board in a timely and frequent manner, ensuring information, transparency, and management of the topic at the highest governmental level. The Board of Directors has issued instructions for its own work and for the executive management with emphasis on their responsibilities and duties. The instructions state how the Board and executive management should handle agreements with related parties, including whether an independent valuation must be obtained.

In accordance with Norwegian law, the Board is responsible for among other things, supervising the general and day-to-day management of the Company's business. This includes ensuring proper organisation, preparing plans and budgets for its activities ensuring that the Company's activities, accounts, and assets management are subject to adequate controls and investigations necessary to perform its duties. The Board is responsible for controlling and approving of financial and ESG reports. In the event of impartiality matters, especially considering the Chair of the Board, such matters are chaired by any other member of the Board. The Board evaluates its composition, collective knowledge, and board-work at least once per year. The evaluation may also cover the way in which the Board functions, at both individual and group level, in relation to the objectives that have been set for its work, including financial and non-financial matters like sustainability, diversity, human rights and environmental issues. Board matters for decision are informed about and handled in accordance with the Norwegian Private Limited Liability Companies Act and potential incapacity. When identifying a potential conflict of interest, the Board maps the extent and potential impact of the conflict of interest and implements measures to avoid this. In situations where the conflict of interest is resolved by a board member not participating in the consideration and decision that has an impact on his or her own part or related parties, this board member is excluded.

Any transactions, agreements or arrangements between the Group and the Company's shareholders, members of the Board, members of the executive management team or close associates of any such parties may only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall, where relevant, comply with the procedures set out in the Norwegian Public Limited Liability Companies Act. The Board shall, in principle, arrange for a valuation to be obtained from an independent third party for transactions with related parties, including agreements that are considered immaterial or covered by section 3-16 of the Norwegian Public Limited Liability Companies Act. The Company's financial statements shall provide further information about transactions with related parties in accordance with applicable accounting principles. The Company may engage in business activities with, or in cooperation with, its shareholders. Such activities shall be handled at Board level with a view to securing a foreseeable and consistent practice which prevents potential conflict of interest situations, arm's-length treatment, and sound governance. Board members shall immediately notify the Board and members of the executive management team shall immediately notify the CEO (who, where relevant, will notify the Board) if they have any material direct or indirect interest in any transaction entered by the Company.

10. Risk management and internal control

Risk management and internal controls are important to HydrogenPro and enable the Company to achieve its strategic objectives in a sustainable, safe, and quality oriented manner. Risk management is an integral part of the Board's and executive management's decision-making processes, organisational structure, and internal procedures and systems. Risk management and internal control requirements are frequently, and at least annually, evaluated by the Board of Directors and the executive management, implementing risk-reducing initiatives and establishing appropriate procedures.

HydrogenPro ASA, the Norwegian part of the company, has a management system, which includes routines, descriptions, and procedures which all employees have access to and are trained in. The same management system, ISO9001, is currently being implemented in HydrogenPro, Tianjin. It is of strategic importance that employees or stakeholders in general report any noncompliance, critical concerns or grievances. All concerns reported are managed according to established routines, making sure the Board is involved accordingly. Health, safety and risk mitigation is a mandatory topic in board, management, and operational meetings with learning processes to increase knowledge and make revisions of existing procedures. In the situation of any negative impact, the Board of is committed and responsible for cooperation in the process of remediation of the impact and addressing the grievances in an appropriate manner. HydrogenPro's regular business activities and operations entail exposure to various types of risks and actions to remedy the risks experienced. The Company intends to be compliant with local laws, regulations and legislation. The process of identifying, evaluating and implementing risk-reducing initiatives in relation to financials, tax, financial implications and other risks and opportunities due to climate change, health and safety, environmental issues, operations and suppliers assessed for risks related to corruption, child- and forced labour, and the freedom of association and collective bargaining is open, transparent and regulated in the management system. The Board is responsible for monitoring the process and the management of the risks assessed. The Company also engages with external expertise to ensure tax compliance in the countries where it operates.

11. Remuneration of the Board of Directors

The remuneration of the members of the Board comprises a fixed annual amount which will be proposed by the Remuneration Committee and approved by the annual general meeting.

The Remuneration Committee of HydrogenPro shall be comprised of at least three directors. The quorum necessary for the transaction of business shall be three. The chair and the members of the Committee shall be appointed by the Company's Board of Directors. The Committee shall review and recommend to the Board the remuneration policies/framework for the Group's executive/senior management, as follows:

- Review and recommend for the Board's approval the terms of employment contracts and other benefits/compensation arrangements.
- Review and recommend for the Board's approval the structure and terms of any executive/senior management incentive programmes, including any performance-related bonus schemes, pension plans and share-incentive plans.
- Review and report to the Board on the performance of executive/senior management against the targets set by the Committee and/or the Board.
- Review and recommend for the Board's approval each year whether bonuses or share awards are to be awarded to executive/senior management and, if so, the amount of such bonuses and share awards.

When preparing recommendations on benefits/compensation arrangements, the Committee shall take into account all factors which it deems necessary. The objective shall be to ensure that executive/senior management are provided with appropriate incentives to encourage enhanced performance and are being rewarded in a fair and responsible manner for their individual contributions to the success of the Group. Further, due consideration shall be taken to the Group's reputation. No director or manager shall be involved in any decisions as to their own remuneration. The Committee shall consider such other matters as may be requested by the Board.

12. Salary and other remuneration for executive personnel

HydrogenPro has a remuneration policy established in accordance with the Norwegian Public Limited Liability Companies Act (the "Companies Act") Section 6-16a and related regulations for remuneration of executive management. The policy has been prepared by the Board of Directors of HydrogenPro. The principles in this policy apply for the executive management of the Group as defined in Section 6-16a of the Companies Act, as well as the members of the Board of Directors. The executive management currently consists of the CEO, CFO, CPO, CLO, CCO and CBDO of the Group. The Board has taken an active role in establishing, reviewing, and executing these guidelines. The Board shall prepare a proposal for guidelines for resolution by the general meeting at least every fourth year. The general meeting shall decide on such proposals. Resolved guidelines may also be amended by way of resolution of subsequent general meetings. The guidelines approved by the general meeting shall be published on the Company's website.

The remuneration for the executive management consists of fixed salary, short-term variable performance related salary and a long-term retention scheme consisting of a share option programme awarded based on performance. Remuneration of executive management is a strategic tool for the Group to achieve its financial and operational goals while staying within its risk appetite to maximise shareholder value. The evaluation process covered by these guidelines relates to fixed cash salary, variable cash salary, benefits, and participation in stock option incentive programmes.

13. Information and communications

HydrogenPro complies with all applicable disclosure laws and practices, seeks transparency, and is committed to providing its shareholders with precise and relevant information to ensure that the Company's share price reflects its true value and prospects. The Board of Directors has established guidelines for the Company's reporting of financial, environmental, social, and governance-related information based on transparency and the requirement for equal treatment of all participants in the securities market. The Investor Relations ("**IR**") activities are conducted by the IR team with delegated responsibility from the Board. The IR team includes the CEO, the CFO, Head of IR as well as other personnel appointed by the team. The IR team and the Communications Director can act as spokespersons on behalf of the Company. The Company has implemented a process for handling sensitive information to ensure that the Company, its employees, and representatives fulfil their obligations regarding the handling and publication of sensitive information. HydrogenPro's financial calendar, press releases and stock exchange notices are published on Oslo Børs' platform Newsweb and is made available on the Company website. The insider lists are maintained by the CFO.

14. Take-overs

In a take-over process, should it occur, the Board and the executive management team each have an individual responsibility to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board has a particular responsibility in ensuring to the extent possible that the shareholders have sufficient information and time to assess the offer.

- In the event of a take-over process, it shall be ensured that:
- the Board will not seek to hinder or obstruct any takeover bid for the Company's operations or shares unless there are particular reasons for doing so.
- the Board will not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company.
- the Board will not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders.
- the Board shall be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the Board will in addition to complying with relevant legislation and regulations seek to comply with the recommendations in the Norwegian Code of Practice for Corporate Governance unless there are particular reasons not to. This includes obtaining a valuation from an independent expert. On this basis, the Board will seek to make a recommendation as to whether the shareholders should accept the bid. Any transaction that is in effect a disposal of the Company's activities shall be decided by a general meeting.

15. Auditor

HydrogenPro's auditor is BDO AS. The partners of BDO AS are members of The Norwegian Institute of Public Accountants (Nw.: "Den Norske Revisorforeningen"). The auditor provides a statement each year confirming its independence (see "Independent Auditor's Report"). The fee payable to the auditor is specified in the notes on the financial statement. The sustainability report is not subject to assurance/audit for the reporting period of 2022. The auditor attends the Board meeting at which the annual financial statements are approved. The auditor presents an annual audit plan to the Board. The Board has adopted guidelines on the management's use of the auditor for services other than auditing. The Board reviews the Company's internal control procedures with the auditor at least once a year, including weaknesses identified by the auditor and proposals for improvement.

Board of Directors

Ellen Hanetho
Chair

Ellen Hanetho has been on the HydrogenPro's Board of Directors since August 2019. She has 20 years' experience from executive positions in investment banking and private equity in corporations such as Frigaard Invest, Credo Partners, Goldman Sachs Investment Banking Division in London and New York, and the Brussels Stock Exchange and Citibank in Brussels. She is founder and chairperson of Cercis, a cleantech investment company established in 2020. Ms. Hanetho holds a BSBA from Boston University and an MBA from Solvay University, in addition to executive training from INSEAD and Harvard Business School. She is a Norwegian national, non-executive, independent and holds an additional six positions as chairperson for other Norwegian companies.

Jarle Tautra
Board member

Jarle Tautra has been on the HydrogenPro's Board of Directors since October 2021. He has held multiple executive management positions in energy-related powerhouses, such as CEO of Eureka Pumps, a Norwegian pump supplier operating in the oil & gas and marine industry. Furthermore, Mr. Tautra held the position as Executive Vice President for Process and Construction and Energy, Development and Services in Aker Solutions, as well as Executive Vice President for Aker Kvaerner E & C Europe. Mr. Tautra has also served as Executive Vice president for Aker Oil & Gas in Aker Maritime ASA. Prior to Mr. Tautra's time in the Aker Group, he held several positions in Norsk Hydro ASA. He has gained significant commercial, strategic, and capital market expertise, as well as extensive international experience in project execution. Mr. Tautra holds a master's degree in Chemical Engineering from the Norwegian Institute of Technology in Trondheim (NTNU). He is a Norwegian national, non-executive, independent and holds two positions as chairperson at other Norwegian companies.

Donna Rennemo
Board member

Donna Rennemo has been on the HydrogenPro's Board of Directors since May 2022. She has worked the last 11 years in WindSim AS, a leading provider and pioneer of tools utilized for the design of on- and offshore wind farms. First as CEO of WindSim Americas Inc., followed by WindSim AS and WindSim Power Inc. since 2021. Prior to working within the renewable energy sector, Ms. Rennemo has spent several years working within the computer software industry in International Sales and Marketing positions in companies including ASK/Proxima ASA, Trend Micro Inc and Statoil/NEL Hydrogen. She holds a bachelor's honors degree from Cal State Fullerton, College of Business and Economics. Donna is a Norwegian based-US citizen, non-executive and independent.

Jarle Dragvik
Board member

Jarle Dragvik is the CEO of TM Holding AS, a major shareholder of HydrogenPro AS and has been on the HydrogenPro's Board of Directors since October 2021. He has extensive experience from numerous of senior international management positions and board memberships in companies such as Norske Skog, Norsk Hydro and Sapa AS. He has also spent five years in China during his career evidencing his international expertise and experience. Mr. Dragvik holds a master's degree in Management & Marketing from BI Norwegian Business School. He has also completed several management programs i.e., Orkla Top Management Program in Oslo/Shanghai, IMD Global Strategy Execution Program in Lausanne, as well as IFL Management Program in Stockholm. Mr. Dragvik is a Norwegian national, non-executive, non-independent and holds five additional positions as chairperson at other Norwegian companies.

Vivian Espeseth
Board member

Vivian Espeseth is the co-founder of HydrogenPro. She has more than 15 years of practice in supply chain operation and consulting. Ms. Espeseth started her career in China where she focused on cross-border project deliveries in multinational companies such as IBM, SAP, Accenture, and REC. She holds a bachelor's degree in Computer Science from Fudan University and an MBA from MIT Sloan School of Management. Vivian is a Norwegian national, non-executive and non-independent.

Executive management

Tarjei Johansen
Chief Executive Officer

Tarjei Johansen joined HydrogenPro as CEO in December 2022. Mr. Johansen has previous experience as Vice President North America Offshore at Schlumberger, President Americas Region at Kemira, as well as SVP & COO at Bureau Veritas. Mr. Johansen holds an MSc in Petroleum Engineering from Texas A&M University.

Martin Thanem Holtet
Chief Financial Officer

Martin Thanem Holtet joined HydrogenPro as CFO in March 2021. Mr. Holtet came from the position as VP, Head of Treasury and IR in Hurtigruten. Prior to this, he worked with strategy and M&A in Yara International and Corporate Finance in Carnegie. Mr. Holtet holds an MSc in Economics and Business Administration from Norwegian School of Economics (NHH).

Erik Chr. Bolstad
Chief Commercial Officer

Erik Chr. Bolstad joined HydrogenPro as CCO in September 2021. Mr. Bolstad has more than 20 years' experience from various management positions within ABB and others. He has held positions within Commercial, Sales & Marketing functions, especially B2B within the global shipping and shipbuilding industry. Mr. Bolstad holds a BSc in Electronic engineering from University of South-Western Norway.

Karoline Aafos
Chief Project Officer

Karoline Aafos joined HydrogenPro in 2019 and was appointed CPO in August 2022. Ms. Aafos has more than ten years' experience in various management and business development positions within ABB, Schneider Electric and others. She has held positions within Commercial, Sales, Marketing and Service functions with a long experience in the global maritime oil and gas industry. Ms. Aafos holds a BSc in Marketing from BI Norwegian Business School, as well as additional Economics studies at Bocconi University and postgraduate organizational studies at Edinburgh Business School.

Tormod Kløve
Chief Legal Officer

Tormod Kløve joined HydrogenPro as CLO in November 2022. Mr. Kløve came from the position as Senior Legal Counsel in PGS and has also served as Senior Lawyer in the law firm Wikborg Rein. He has considerable international experience from numerous countries, including three years in Japan. Tormod started his career as a junior research fellow at the University of Oslo and has also served as a deputy judge at district court level in Norway. He holds a Master of Laws from the University in Oslo.

Richard Espeseth
Head of Business Development and Technology

Richard Espeseth founded HydrogenPro in 2013. Mr. Espeseth has 25 years international industry experience from Norsk Hydro, Statoil, ABB and RPR, with more than 10 years of experience from the hydrogen electrolyser business. He holds a MSc in Mechanical Engineering from South Dakota School of Mine & Technology.

Ethical business conduct

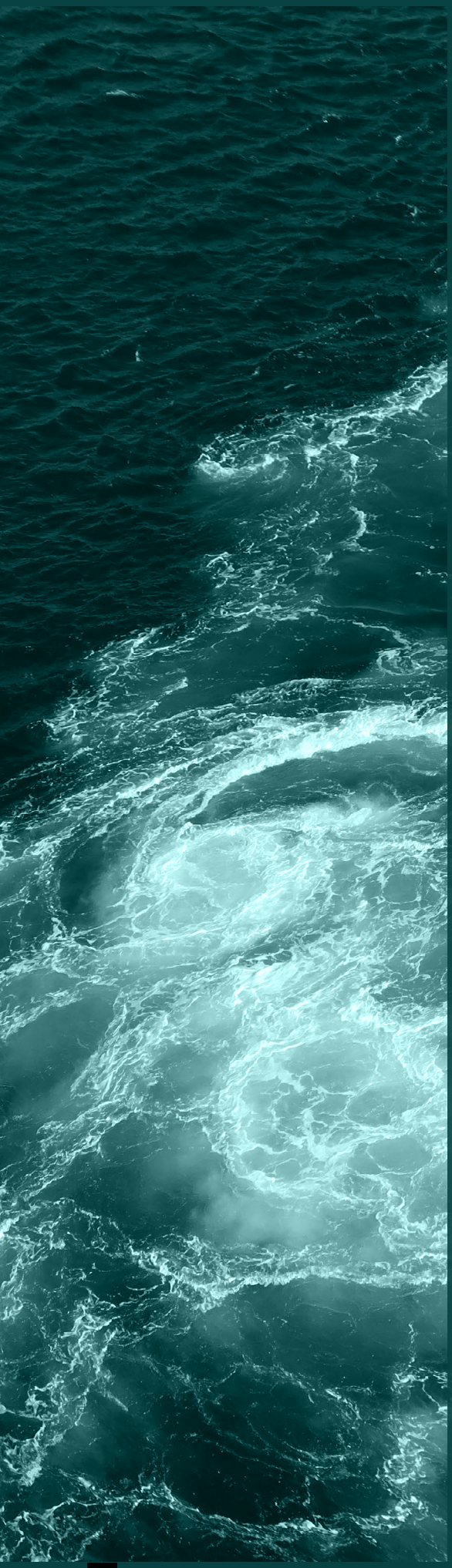
HydrogenPro's business is characterised by high ethical and moral standards, where security is the top priority. We care about our employees, partners, suppliers, investors, other stakeholders, and the world around us. We take responsibility for the impact we have on the environment, the community and our customers' business in the longer term. Operations shall be conducted in a professional, safe, and environmentally friendly manner that meets all requirements of applicable laws, industry regulations, and agreements. We hold ourselves to a high ethical standard and aim to live up to our values: courage, integrity, collaboration, and innovation. HydrogenPro ASA and HydrogenPro China has developed Code of Conducts that sets out expectations, commitments, and requirements for ethical conduct. The Code of Conduct developed for our Norwegian operations has been approved by the Board of Directors.

Anti-bribery and corruption

HydrogenPro has a zero tolerance for corruption in connection with our operations. We are careful in our selection of business partners and implement follow-up measures in order to avoid the risk of being engaged in indirect corruption. HydrogenPro updated the anti-bribery and corruption policy in February 2023. The policy covers the following topics:

- indirect corruption and trading in influence
- gifts, hospitality and expenses
- charitable donations and sponsorships

Employees are encouraged to reach out to the Chief Legal Officer if they have questions regarding assessments of what constitutes corruption, or if they have reason to suspect wrongdoing. The policy also clearly states that there will be no retaliation against reporting of suspicions of wrongdoing, non-compliance, or illegal activities. Anti-bribery and corruption are also covered in the personnel handbook for HydrogenPro Norway and HydrogenPro China, and all employees will be trained in these topics during 2023.



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Consolidated Statement of Comprehensive Income

NOK '000	Note	2022	2021
Operating income and operating expenses			
Revenue from contracts with customers	2.2	56 414	20 036
Total revenue		**56 414**	**20 036**
Cost of goods sold	2.3	44 372	11 632
Personnel expenses	2.4, 2.5, 7.1	62 768	32 878
Depreciation and amortisation expense	3.1, 3.2, 3.3	13 990	5 215
Other operating expenses	2.6	54 526	30 772
Operating profit/(loss)		**-119 242**	**-60 461**
Fair value adjustment for financial instruments	3.4	22 485	-
Financial income	2.7	17 874	4 374
Financial expenses	2.7	11 016	1 321
Net financial income and expenses		**29 343**	**3 053**
Profit/(loss) before income tax		**-89 899**	**-57 408**
Income tax expense	2.8	-80	-975
Profit/(loss) for the year		**-89 819**	**-56 433**
Profit/(loss) attributable to:			
Equity holders of the parent company		-84 888	-56 433
Non-controlling interest		-4 931	0
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations		-415	337
Net Other comprehensive income		-415	337
Total comprehensive profit/(loss) for the year		**-90 234**	**-56 096**
Total comprehensive profit (loss) for the year attributable to:			
Equity holders of the parent company		-85 303	-56 096
Non-controlling interest		-4 931	0
Basic earning pr share	6.4	-1.46	-0.97
Diluted earnings pr share	6.4	-1.46	-0.97

Consolidated Statement of Financial Position

as of 31 December

NOK '000	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	3.1	64 415	48 970
Property, plant and equipment	3.2	55 537	22 637
Right of use assets	3.3	17 625	2 975
Non-current tax asset	2.8	0	975
Financial assets	3.4	52 056	26 458
Other receivables	3.4	4 820	22 874
Total non-current assets		**194 453**	**124 889**
Current assets			
Inventories	5.1	35 762	308
Trade receivables	5.2	38 413	13 042
Other receivables	5.2	47 514	7 594
Cash and bank deposits	6.2	257 022	382 255
Total current assets		**378 711**	**403 199**
TOTAL ASSETS		**573 164**	**528 088**

Consolidated Statement of Financial Position

as of 31 December

NOK '000	Note	2022	2021
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6.3	1 161	58
Share premium account	6.3	575 039	576 141
Other equity contributed	6.3, 2.8	34 162	26 800
Other equity	6.3	-176 919	-92 081
Currency translation difference		-588	336
Equity attributable to HydrogenPros shareholders		432 855	511 254
Non-controlling interest		4 963	
TOTAL EQUITY		437 818	511 254
LIABILITIES			
Non-current liabilities			
Non-current lease liabilities	3.3	11 332	1 365
Total non-current liabilities		11 332	1 365
Current liabilities			
Current lease liabilities	3.3	5 124	1 610
Trade creditors	5.2	20 578	3 290
Public duties payable	5.2	10 797	5 244
Other short term liabilities	5.2	87 515	5 325
Total current liabilities		124 014	15 469
TOTAL LIABILITIES		135 346	16 833
TOTAL EQUITY AND LIABILITIES		573 164	528 088

Porsgrunn/Oslo, 30 March 2023

(All signatures electronically signed)

Ellen Merethe Hanetho	Donna Rennemo	Jarle Tautra	Vivian Espeseth	Jarle Dragvik	Tarjei Johansen
Chair of the Board	*Board member*	*Board member*	*Board member*	*Board member*	*CEO*

Consolidated Statement of Changes In Equity

	Attributable to equity holders of the parent company							
NOK '000	Share capital	Share premium account	Other equity contrib.	Currency translat. difference	Other equity	Equity attrib. to share-holders	Non controlling interest	Total equity
Equity as at 31.12.2020	**57**	**542 170**	**9 098**		**-35 648**	**515 677**	**0**	**515 677**
Total comprehensive income				336	-56 433	-56 096		-56 096
Issue of share capital	1	33 971				33 972		33 972
Cost of share-based payment			17 702			17 702		17 702
Equity as at 31.12.2021	**58**	**576 142**	**26 800**	**336**	**-92 081**	**511 254**	**0**	**511 254**
Total comprehensive income				-415	-84 888	-85 303	-4 931	-90 234
Issue of share capital	1 103	-1 103						
Cost of share-based payment			7 362			7 362		7 362
Non controlling interest by acquisition				-509	51	-458	9 894	9 436
Equity as at 31.12.2022	**1 161**	**575 039**	**34 162**	**-588**	**-176 919**	**432 855**	**4 963**	**437 818**

Consolidated Statement of Cash Flows

NOK '000	Note	2022	2021
Cash flows from operating activities			
Net Income / (Loss) before tax		-89 899	-57 408
Depreciation, amortisation & impairment	3.1, 3.2, 3.3	13 990	5 215
Option cost no cash effect	2.4	8 592	18 533
Fair value adjustment for financial instruments	3.4	-22 485	0
Change in accounts receivable	5.2	-25 371	-9 859
Change in inventory	5.1	-35 455	0
Change in accounts payable	5.3	17 222	-3 894
Write-down shares		0	7
Effect of foreign currency translation		-183	337
Change in other accruals	5.2, 5.3	64 230	-395
Net cash flows from operating activities		**-69 359**	**-47 464**
Cash flows from investing activities			
Purchases of tangible assets	3.2	-14 701	-20 793
Purchases of intangible assets	3.1	0	-8 079
Acquisition of subsidiary, net of cash acquired	3.1, 4.2	-32 454	-17 934
Change in other investing activities	3.4	-4 716	-31 244
Net cash flows from investing activities		**-51 871**	**-78 050**
Cash flows from financing activities			
Payment on lease liabilities	3.3	-5 175	-154
Repayment of loans to associates		1 172	0
Proceeds from Equity Issue	6.3	0	1 812
Net cash flows from financing activities		**-4 003**	**1 658**
Cash balance start of period		**382 255**	**506 111**
Net change in cash		-125 233	-123 856
Cash balance end of period		**257 022**	**382 255**

Notes to the Consolidated Financial Statements

NOTE 1.1 CORPORATE INFORMATION

HydrogenPro ASA ("the Company") is a public limited company, incorporated in Norway, headquartered in Porsgrunn and listed on Oslo Stock Exchange, Address headquarters: Hydrovegen 6, 3933 Porsgrunn, Norway.

HydrogenPro ASA designs and supplies large scale hydrogen production plants in cooperation with global partners and suppliers. Our core product is the alkaline high-pressure electrolyser. The company was founded in 2013 by individuals with background from the electrolysis industry. We are an experienced engineering team of leading industry experts, drawing upon unparalleled experience and expertise in the hydrogen and renewable energy industry.

Our advanced electrode technology enables us to increase the efficiency of each unit by 14%., hence reducing electricity cost with 14%. This is a significant step forward as the cost of electric power, depending on market prices, amounts to 70-90% of the total cost of producing hydrogen. The value of such increased efficiency equals approximately the investment cost for the entire plan in a Total cost of Operation perspective.

Unlike traditional alkaline systems, our high-pressure units (up to 30 bar) save compression cost and are superbly suited for variable loads from solar panels and wind turbines. Thus, we compare favourable to alternative technologies. We are able to produce hydrogen at a lower cost, without using noble or scarce metals, while using renewable energy sources.

HydrogenPro ASA is listed on Oslo Stock Ex-change under the ticker "HYPRO".

The consolidated financial statements of HydrogenPro ASA for the fiscal year 2022 were approved in the board meeting at 30.03.2023.

NOTE 1.2 BASIS OF PREPARATION

The consolidated financial statements of HydrogenPro ASA and its subsidiaries (collectively "the Group", or "HydrogenPro") comprise 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 group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU.

The consolidated financial statements have been prepared on a historical cost basis except the convertible rights to DG Fuels, which is recognized at fair value. (Note 3.4)

Further, the consolidated financial statements are prepared based on the going concern assumption.

The consolidated financial statements are presented in Norwegian kroner ("NOK"). For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. HydrogenPro ASA has Norwegian krone ("NOK") as its functional currency.

For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying yearly average exchange rates. The resulting translation differences are recognized in other comprehensive income.

All values are rounded to the nearest thousand, unless when indicated otherwise. As a result of rounding differences numbers of percentages may not add up to the total.

NOTE 1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may ditfer from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgments that may have the most significant effect on the amounts recognized in the financial statements, are summarized below:

- Revenue recognition from contracts with customers (note 2.2)
- Estimating fair value for share-based payments transactions (note 2.4)
- Value in use calculation in relation to impairment testing of goodwill (note 3.1)
- Estimating fair value for convertible rights (note 3.4)

A detailed description of the significant estimates and assumptions are included in the individual note referenced above.

NOTE 1.4 GENERAL ACCOUNTING POLICIES

HydrogenPro has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgemental considerations are disclosed in the accounting policy note. If not, it is disclosed in the specific notes to which the policies relate. A thorough summary of the Group's general accounting policies not disclosed in the notes, are presented below:

Consolidation

Subsidiaries are all entities which the Group has control. Control of an entity occurs when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the day on which control is transferred to the Group. They are also eventual deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting principles.

Non-controlling interest

Non-controlling interest is when less than 100 % of the interest is acquired in an entity. Non-controlling interest is recognised and measured at the proportional share of net identifiable assets.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non- current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method.

Notes to the Consolidated Financial Statements

Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

Revenue recognition

The revenue in HydrogenPro is from sale of both hydrogen electrolyser systems and engineering services, including installation, commissioning, and long-term service agreements. Project execution is key in HydrogenPro's construction projects.

The group's revenues result from the sale of goods or services and reflect the consideration to which the group is and expect to be entitled. IFRS 15 requires the group to assess revenue recognition based on a five-step model. For its customer contracts, the group identifies the performance obligations (goods or services), determines the transaction price, allocates the contract transaction price to the performance obligations and recognises the revenue when (or as) the performance obligations are satisfied.

Revenue recognition is determined on a contract-by-contract basis by determining the terms and performance obligations given in a specific contract. Based on the specific contract and its obligations, revenue under IFRS 15 is either recognised at a point in time or over time. Revenue is recognised over-time using the method that best depicts the pattern of the transfer of control over time. The method applied is the cost-to-cost input method to determine the percentage of completion. This method includes adjustments of time and goods that are delivered to the customer. Contract costs are expensed as incurred.

The Group applied the following judgements that significantly affect the determination of the timing of revenue recognition and amounts of revenue contracts with customers:

Performance obligations

In determining whether revenue from specific contract can be classified as customised and in turn recognised using a progress-based measurement, several criteria must be evaluated.

The first criterion is related to alternative use. Manufacturing a customised product or piece of equipment for a specific customer that would require significant cost to modify to be able to transfer it to another a customer, then the contract would likely meet the criteria of alternate use. The other important criterion is that an enforceable right to payment exists in the contract between the group and the customer. Right to payment entails that the group has a right to receive payment from the customer if the contract would be terminated. Upon termination at a certain time, the group should be able to recover costs incurred and a reasonable margin.

Total contract costs

In a customised customer project, HydrogenPro uses cost-to-cost input method when measuring progress; thus, the total cost estimates can significantly impact measured progress and revenue recognition. The total project cost comprises estimates on the ability to execute the planned engineering and design phase, the availability of skilled resources, performance of subcontractors, foreign currency and HydrogenPro's manufacturing capacity, productivity and quality.

Amount – Liquidated damages (LDs)

LDs are penalties for not achieving defined milestones on time. LDs are common in construction contracts. As the payment to the customer is not in exchange for a distinct good or service that transfers to HydrogenPro, LDs must be accounted for as a reduction revenue. If a project does not meet the defined milestone in a contract, a provision reducing the transaction price is made unless it is highly probable that LD will not be imposed. The estimated LD provision is highly judgemental. HydrogenPro estimates variable consideration using the most likely amount.

Type of goods or services

The group generates revenue from customer contracts from two principal sources: i) Equipment and projects and ii) R&D, FEED-studies, service and aftermarket. The equipment and projects sales are generated from both standard and customised electrolysers and gas separators.

In the event, the company deliver on standard equipment, the group recognises revenue at the point in time at which it satisfies a performance obligation by transferring the control of a good or service to the customer. Generally, this upon agreed incoterms, which is mainly at shipment. The customer has control of a good or service when it has the ability to direct the use of and obtain substantially all of the remaining benefits from the good or service.

Most of HydrogenPro's revenue until now stems from sale of customisation of the equipment. Such sale of customised equipment is recognised as revenue over-time if the equipment cannot be sold to other customers without significant re-work and HydrogenPro has an enforceable right to payment for performance completed to date.

Electrolyser systems

Revenue from sale of customised equipment and projects is determined to be a bundle of goods where all of the components constitute the combined output, i.e.

one performance obligation. The performance obligation is satisfied over time and HydrogenPro recognise revenue over the period the performance obligation is satisfied, using a cost-to-cost input method that best depicts the pattern of the transfer of control over time. The progress-based measurement of revenue has been the main method of recognising revenue from electrolyser projects of large- scale electrolyser systems.

Engineering services

Revenue from engineering services such as design, documentation, drawings for customers can either be recognised over-time measuring progress using input method cost-to-cost, or at point- in time, where the performance obligation is put to an hour-by-hour basis.

For both revenue streams, if there are circumstance that the unavoidable costs directly related to project is expected to exceed the economic benefits expected to be received under the contract, the estimated loss on the contract will be recognised in its entirety in the period when such loss is identified.

Contract balances

Equipment contracts with a customer will usually have milestone payments with variable structures. The contract price will be invoiced when certain criteria are met. A typical milestone structure could be contract acceptance, placement of major supplier purchases, delivery/ shipment and complete installation and commissioning. The payment structure of the contracts typically results in advance payments and progress billings exceed the satisfaction of performance obligations in progress. Consequently, creating a net contract liability. Or, in the opposite event, if the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. As of the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the advances and progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed advances and progress billings, the balance is presented as due from customers on construction contracts within "contract assets". When the contract assets become an unconditional right to consideration they are reclassified and presented separately as trade receivables, usually when invoices are issued to the customers.

A contract liability is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the group performs under the contract. Where advances and progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "contract liabilities".

Please find illustrative tables from the nature of revenues for HydrogenPro in Note 2.2.

Leases

The group recognises right-of-use assets and lease liabilities for all lease contracts, except leases that are considered short-term (lease term of 12 months or less), or for which underlying assets are of a low value when new.

Right-of-use assets

The group recognises right-of-use asset at the lease commencement date. The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, adjusted for initial direct costs and lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use assets are reduced by any impairment charges and adjusted for certain remeasurements of the lease liabilities.

Lease liabilities

The group recognises a lease liability at the lease commencement date. The lease liabilities are measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. HydrogenPro utilises the incremental borrowing rate as the discount rate for virtually all lease agreements. Lease payments included in the measurement of the lease liabilities comprise the following:

- Fixed lease payments, less any lease incentives received
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the

Notes to the Consolidated Financial Statements

carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in and index or rate.

The Group presents its lease liabilities as separate line items in the consolidated statement of financial position.

The Group does not act as a lessor. See note 12 for more information.

Share-based payments

Share-based compensation benefits are provided to employees via the share option plan. Information relating to the options scheme is set out in note 2.4.

The employee option plan is regarded as equity settled share-based payments. The fair value of options granted under the share option plan is recognised as an employee benefits expense or other operating cost (if it is given to external consultants) with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

For further information refer note 2.4 (Personnel expenses).

Income tax

The tax expense in the consolidated statement of comprehensive income consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, with the exception of:

- temporary differences linked to goodwill that are not tax deductible
- temporary differences related to investments in subsidiaries, associates or joint ventures when the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the company will have sufficient profit in the future to utilise the deferred tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current assets and/or current liabilities in the consolidated statement of financial position.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Deferred tax liabilities and assets are offset if

- The entity has a legally enforceable right to set off current tax liabilities and assets; and
- The deferred tax liabilities and assets relate to income taxes levied by the same authority on either the same taxable entity, or on difference taxable entities, but these entities intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

See note 2.8 for tax.

Property, plant and equipments

Property, plant and equipments are valued at their cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the carrying amount is derecognised and any gain or loss is recognised in the statement of comprehensive income.

The depreciation period and method are assessed each year.

Assets under construction are classified as non-current assets and recognised at cost until the production or development process is completed. Assets under construction are not depreciated until the asset is taken into use.

Intangible assets

Goodwill

Goodwill acquired through business combinations is included in intangible assets. Goodwill is recorded at cost less accumulated impairment losses and is subject to annual impairment testing or more frequently if events or changes in circumstances indicate that it might be impaired.

Research and development

Research costs related to internal projects is recognised in profit or loss as incurred. Development costs is capitalised only if the expenditure attributable to the intangible asset can be measured reliably and there is an intention and ability to complete and make the intangible asset commercially

available for sale or own use which will generate probable future economic benefits. If condition for capitalisation is not met, the costs is recognised in profit or loss as incurred. Subsequent to initial recognition intangible assets is measured at cost less accumulated amortisation and any accumulated impairment loss.

Patents, licenses and technology

Patents, licenses and technology acquired is measured at cost less accumulated amortisation and any accumulated impairment loss.

Amortisation methods

Refer to note 3.1 for details about amortisation methods.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values at the acquisition date. The acquisition date is the date when the acquirer obtains control of the acquiree. Any contingent consideration will be recognized at fair value at the acquisition date. Additional value that cannot be allocated to identifiable assets and liabilities are allocated to goodwill. Non-controlling interest is measured based on the proportionate interest in the recognized amount of the identifiable net asset.

Acquisition-related costs incurred are expensed and included in operating expenses.

Government grants

Government grants are recognized when it is reasonably certain that the group will meet the conditions stipulated for the grants and that the grants will be received.

Government grants related to construction of an asset is recognized as reduction of the acquisition cost. Grants related to R&D project that are expended are recognizes as a reduction of cost.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized in the Group's statement of financial position when The Group becomes a party to the contractual provisions of the instrument.

The Group's financial instruments are grouped as:

- Financial assets: Other non-current receivables, Convertible receivables, Trade receivables and Cash and cash equivalents.
- Financial liabilities: Non-current lease liabilities, Trade payables, Current lease liabilities.

The carrying amount of the Group's financial assets and liabilities are presented in note 6,1 (Financial instruments), along with descriptions of the key risk areas and exposure for HydrogenPro.

Measurement of financial instruments

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

Financial assets are measured at amortised cost if the objective is to hold and collect contractual cash flows and contractual cash flows consist solely of principal and interest on the principal amount outstanding. If both conditions are not met, the financial asset is measured at fair value trough profit or loss.

Measurements of financial assets at fair value through profit or loss is based on the fair value hierarchy:

- Level 1: Fair value is measured using quoted prices from active markets for identical assets and obligations.
- Level 2: Fair value is decided by using input based on other observable factors; either direct (price) or indirect (derived from prices) rather than noted prices (used in level 1) for the asset or obligation.
- Level 3: Fair value is measured using inputs that are not based on observable market data.

Refer to note 3.4 for classification of financial assets in the fair value hierarchy.

Financial liabilities are initially measured at fair value of the amount required to settle the associated obligation. Subsequently the financial liabilities are measured at amortized cost using the effective interest rate method.

Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

In the statement of cash flows, the overdraft facility is stated minus the balance of cash and cash equivalents.

Equity

Financial instruments are classified as liabilities or equity in accordance with the underlying economic realities.

Interest, dividend, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments that are classified as equity will be recorded directly in equity.

Notes to the Consolidated Financial Statements

Cost of equity transactions
Transaction costs directly related to an equity transaction are recognised directly in equity after deducting tax expenses.

Translation differences
Translation differences arise in connection with exchange-rate differences of consolidated foreign entities.

Exchange-rate in monetary amounts (liabilities or receivables) which are in reality a part of a company's net investment in a foreign entity are also included as translation differences.

Inventories
The group have recognised inventory in 2022. These are measured and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the group expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

Provisions
The group recognise a provision when a legal or constructive obligation exists as a result of past events, it is more likely than not that a transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. When the group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. When the effect is significant, provisions are calculated by discounting expected cash flows at a pre-tax rate that reflects the time value of money and if appropriate the risks specific to the liability. Increase in provisions as a result of time passing, is presented as interest expense.

Onerous contracts
An onerous contract is a contract in which the unavoidable costs (i.e. the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it) exceed the economic benefits expected to be received under the contract. For all contracts that are onerous, the present obligation under the contract is recognised and measured as a provision.

Social security share options
Social security stock options are the provision for social security payable in Norway, calculated at the intrinsic value at year end. The provision fluctuates with the number of active options, timing of exercise and the share price. See note 18 for further information on share option program.

Earnings per share
Earnings per share are calculated by dividing the profit/loss for the year by the corresponding weighted average of the number of outstanding shares during the reporting period. 'Diluted earnings per share' is based on the same calculation as for earnings per share, but it also considers all potential shares with dilutive effect that have been outstanding during the period. Potential shares relate to agreements that confer the right to issue shares in future. Options are excluded if their effect would have been anti-dilutive.

Earnings per share is calculated as profit/(loss) attributable to the equity holders of the parent company divided by the average number of shares outstanding.

See note 6.4 for more details about earnings per share.

Going concern
The consolidated financial statement is presented on the going concern assumption under International Financial Reporting Standards. As per the date of this report the group has sufficient working capital for its planned business activities over the next twelve-month period.

The Board of Directors confirmed on this basis that the going concern assumption is valid, and that financial statements are prepared in accordance with this assumption.

Events after the reporting period
New information on the group's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the group's financial position on the end of the reporting period, but which will affect the company's financial position in the future are disclosed if significant. For further information refer to the Board of Directors report regarding:

* The 20th of March, HydrogenPro announced our plans to expand in the US with a new plant in Texas with a manufacturing capacity of 500 MW.

NOTE 2.1 OPERATIONAL SEGMENTS

Operating segments are identified on the basis of internal reports that the entity's Chief Operating Decision Maker (CODM) regularly reviews in allocating resources to segment and in assessing their performance. The CODM is defined as the executive management group.

For HydrogenPro Group the business is treated as one single operating segment. This is consistent with internal reporting provided to the CODM.

Fixed assets and right of use assets by geography

NOK '000	Intangible assets	Property, plant and equipment	Right of use assets
Norway	9 393	5 708	1 423
Europe	33 087	18 673	980
Asia Pacific	21 935	31 156	15 222
Carrying amount at 31.12.2022	64 415	55 537	17 625

NOK '000	Intangible assets	Property, plant and equipment	Right of use assets
Norway	11 741	6 401	2 975
Europe	37 229	16 236	0
Carrying amount at 31.12.2021	48 970	22 637	2 975

Refer to note 2.2 for revenue presented by segments.

Notes to the Consolidated Financial Statements

NOTE 2.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognise revenue according to IFRS 15 and applies the following judgement that significantly affect the determination of timing and amounts of revenue from contracts with customer:

Each contract is assessed with respect to whether the revenue can be classified as customised and in turn recognised using percentage of completion method. There are several criteria that must be evaluated.

Alternative use: If the product made for a specific customer require significant cost to modify to be able to transfer it to another customer, the contract would likely meet the criteria of alternate use.

Enforceable right to payment: If the contract gives the Group right to payment that recover costs incurred and a reasonable margin upon termination, the contract would likely meet the criteria of enforceable right to payment.

To determine the revenue from contracts recognised as customised HydrogenPro use the percentage of completion method. The degree of completion is calculated as expenses incurred as a percentage of estimated total expenses. Total expenses are reviewed on a regular basis. If the projects are expected to result in losses the total estimated loss is recognised immediately.

The Group's revenue from contracts with customers are recognized from two principal sources; sale of electrolyser systems, and sale of engineering services. The sale of engineering services are either in combination with sale of electrolyser systems or as a separate service as in FEED studies

The Groups revenue and expenses are not allocated to different segments, and this is consistent with the internal reporting provided to the chief operating decision maker.

For more details, see note 1.4 General accounting policies.

Primary geographical markets

NOK '000	2022	2021
Norway	4 885	258
Europe	-13	799
America	41 370	16 053
Asia Pacific	10 172	2 926
Total	**56 414**	**20 036**

Timing of revenue recognition

NOK '000	2022	2021
Revenue recognised over time	56 051	20 019
Revenue recognised at point in time	363	17
Total revenue	**56 414**	**20 036**

Major products/service lines

NOK '000	2022	2021
Revenue from sale of electrolyser system	51 521	19 676
Revenue form sale of Feed and case-studies	4 893	360
Total revenue	56 414	20 036

Major customers

The groups major customer is Mitsubishi Power America Inc and Mitsubishi Heavy Industries Ltd with 73 and 18 percent of revenues in the year 2022. Corresponding figures for 2021 where 80 and 15 percent.

NOK '000	2022	2021
Included in trade receivables		
Contract assets	19 828	456
Included other short term liabilities		
Contract liabilities (incl. prepayment from customers)	65 691	1 348
Contract assets		
Balances as of 01.01	456	0
Transfers from contract assets recognised at the beginning of the period to receivables	-456	0
Increases due to measure of progress in the period	19 828	456
Balances as of 31.12	19 828	456
Contract liabilities		
Balances as of 01.01	1 348	787
Revenue from amounts included in contract liabilities at the beginning of the period	-1 259	-698
Billing and advances received not recognised as revenue in the period	65 602	1 259
Balances as of 31.12	65 691	1 348

Order backlog

The performance obligation in contracts with customers vary from a few months to 10 months.

NOK '000	2022	2021
Partly unsatisfied performance obligations	746 965	33 341
AS of 31.12.12	746 965	33 341

Notes to the Consolidated Financial Statements

NOTE 2.3 COST OF GOODS SOLD

NOK '000	2022	2021
Cost of goods sold	43 221	11 333
Cost of handling and freight	787	204
Other cost of gods sold	364	95
Total cost of gods sold	**44 372**	**11 632**

NOTE 2.4 PERSONNEL EXPENSES

NOK '000	2022	2021
Salaries	47 051	13 353
Social security tax	5 270	2 522
Option cost	6 697	12 328
Pension costs defined contribution plans	3 030	1 445
Other personnel costs	719	3 230
Total salaries and personnel expense	**62 768**	**32 878**

Option cost related to hired personnel are expensed as other operating expenses.

Average number of full time employees

	2022	2021
Norway	27	15
Europe	3.5	1
China	70	0
Total	**100.5**	**16**

Shareholder option plan

The company has a share option programme covering certain employees in senior positions.

At 2019, employees, board members and guarantorer were included in the option programme. Granted options are generally vested or earned during a period of three years according to a predetermined schedule. Options vested and earned can be exercised and must be exercised at latest four years after grant. The vesting requires continued employment or association with the company.

The purpose of the establishment of the options program is to attract and retain key personnel. The fair value and annual expense/costs of the options are calculated based on the Black- Scholes model, and expensed over the vesting period. The annual costs calculated for the option program for 2022 are based on the Black & Scholes formula with input factors as a risk free interest rate, volatility factor and share price at grant date. The fair value of the individual options at grant date, are then distributed over the vesting schedule agreement.

Social security tax provisions are accrued on a quarterly basis and becomes payable at exercise of the options. The social security tax provisions are estimated based on the intrinsic value multiplied with the relevant social security tax rate.

The total expense recognised for the share-based programs, excluding social security, during 2022 was NOK 7.4 (18.1) million. The total social security accruals at the end of the year are NOK 1.6 million. The total accumulated cost expensed related to share-based payments are NOK 34.2 (26.8) million as of 31 December 2022.

Options to leading employees and Board of Directors

Name	Quantity 01.01.22	Granted in period	Terminated in period	Cancelled in period	Quantity 31.12.22	Cost for the period
Ellen Hanetho 1)	2 143 170	0	0	0	2 143 170	2 226 975
Elling Nygaard	450 000	0	-243 750	0	206 250	671 023
Enern Invest AS (Mårten Lunde)	1 500 000	0	-178 755	0	1 321 245	905 882
Erik Christian Bolstad	100 000	0	0	0	100 000	333 121
Karoline Aafos	100 000	0	-42 604	0	57 396	-176 924
Martin Thanem Holtet	150 000	150 000	0	-150 000	150 000	2 046 804
Sindre Utne	150 000	0	-81 250	0	68 750	-525 354
Tarjei Johansen	0	400 000	0	0	400 000	233 702
TM Holding (Terje Mikalsen)	163 005	0	0	0	163 005	0

1) 1490 000 of Ellen Hanetho's options hare held by Opulentia Invest AS which is owned 100% by Ellen Hanetho.

Total costs and Social Security Provisions

NOK '000	2022
Total cost	7 362
Total Social security provisions	7 993

Notes to the Consolidated Financial Statements

Granted instruments 2022

Instrument	Option
Quantity 31.12.2022 (instruments)	550 000
Quantity 31.12.2022 (shares) and Board of Directors	550 000
Contractual life *	5.11
Strike price *	31.30
Share price *	31.01
Expected lifetime *	3.57
Volatility *	63.24%
Interest rate *	2.961%
Dividend *	0.00
FV per instrument *	14.96

* Weighted average parameters at grant of instrument

Quantity and weighted average prices

	01.01.2022 - 31.12.2022	
Activity	Number of instruments	Weighted aver. strike price
Outstanding OB (01.01.2022)	5 463 591	13.91
Granted	550 000	31.30
Exercised	0	0.00
Released	0	0.00
Adjusted	0	0.00
Performance Adjusted	0	0.00
Cancelled	-150 000	42.35
Terminated	-565 746	20.97
Expired	0	0.00
Outstanding CB (31.12.2022)	5 297 845	14.15
Vested CB	4 424 701	11.38

Outstanding Instruments Overview

	Outstanding Instruments			Vested Instruments	
Strike price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2022	Weighted Average Strike Price
7.00	3 284 409	1.25	7.00	3 283 703	7.00
16.80	206 250	2.84	16.80	206 250	16.80
17.24	337 170	2.80	17.24	182 635	17.24
17.66	170 000	2.75	17.66	92 084	17.66
18.78	150 000	2.17	18.78	50 001	18.78
20.65	100 000	2.67	20.65	56 252	20.65
26.15	506 266	2.38	26.15	431 896	26.15
32.45	68 750	2.34	32.45	68 750	32.45
36.00	400 000	5.92	36.00	0	0.00
66.00	75 000	2.09	66.00	53 130	66.00
	5 297 845			4 424 701	

NOTE 2.5 PENSIONS

Defined contribution plan

The Group's companies in Norway have defined contribution plans in accordance with Pension Act of Norway. The contribution plan covers employees who work more than 20% FTE and amounts between 1 G and 12 G of the salary. The percent of the salary is 7%.

The employees may influence the investment management though an agreement with Gjensidige AS. The contribution is expended when its accrued. Prepaid contribution are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. The parent company have pension plans that meets the requirements in Norway. The foreign subsidiary's have pension plans that meet the requirements in their respective countries.

NOK '000	2022	2021
Employees covered by the scheme	36	20
Contribution recognised as expense	3 030	1 445
Contribution to CEO	69	25

Notes to the Consolidated Financial Statements

NOTE 2.6 OTHER OPERATING EXPENSES

NOK '000	2022	2021
Advertising and direct sale cost	1 087	290
Repair and maintenance costs	1 530	137
Rental costs	1 660	1 784
Travel costs	2 194	817
Consultancy fees and external personnel	36 528	19 720
Provision bad debts	1 194	0
Other operating costs	10 333	8 024
Total operating expenses	54 526	30 772

Fees to the group auditor

NOK '000	2022	2021
Statutory audit	1 212	564
Other assurance services	0	12
Other non-assurance services	736	332
Total	1 948	908

Fees to other auditors elected by subsidiaries

NOK '000	2022	2021
Statutory audit	81	769
Other assurance services	0	12
Other non-assurance services	22	138
Tax consultant services	0	138
Total	103	1057

NOTE 2.7 FINANCIAL INCOME AND EXPENSES

NOK '000	2022	2021
Interest income	3 434	2 056
Foreign exchange gain	14 420	2 319
Other financial income	19	0
Total financial income	**17 874**	**4 375**
Interest on debt and borrowings	307	49
Interest expense lease liabilities	368	0
Foreign exchange losses	10 143	557
Other financial expenses	199	715
Total financial expenses	**11 016**	**1 321**

NOTE 2.8 INCOME TAX

Income tax expense for the year

NOK '000	2022	2021
Income tax payable	0	0
Changes in deferred tax	-80	0
Total income tax expense	**-80**	**0**

Basis for income tax expense

NOK '000	2022	2021
Profit / loss (-) before taxes	-89 899	-57 408
Permanent differences	0	-986
Currency translation and other differences	636	0
Changes in temporary differences	-23 499	-1 072
Basis for tax payable	**-112 696**	**-59 466**

Notes to the Consolidated Financial Statements

Reconciliation of tax expense to Norwegian nominal statutory tax rate

NOK '000	2022	2021
Tax on profit before taxes (22%)	-19 778	-12 630
Tax on permanent differences	66	-219
Foreign tax rate and currency translation differences	990	0
Change in not recognised deferred tax assets	18 694	12 849
Tax expense	**-80**	**0**
Effective tax rate	-0.09%	0.00%

Overview temporary differences

NOK '000	2022	2021	Change
Intangible assets	33 087	37 229	4 142
Property, Plant and Equipment	11 590	5 126	-6 464
Right of use assets	24 547	2 975	-21 572
Financial assets	26 940	1 371	-25 569
Other receivables	8 791	-	-8 791
Production contracts	1 504	5 210	3 706
Lease liability	-23 445	-2 975	20 470
Provisions	-6 564	-200	6 364
Other accruals	0	-7	-7
Tax loss carry forwards 1)	-220 859	-108 162	112 697
Total	**-144 409**	**-59 433**	**84 976**
Temporary differences not recognised as deferred tax assets/liabilities	33 087	37 229	4 142
Deferred tax assets	39 049	21 266	-17 783
Deferred tax not recognised in the Statement of financial position	39 049	21 266	- 17 783
Deferred tax in the Statement of financial position	**0**	**0**	**0**

1) Tax carry forward for 2021 has been adjusted due to correction of error. This correction does not impact tax expense in the statement of comprehensive income, or deferred tax in the statement of financial position.

The majority of the deferred tax asset is related to loss carry forward. As of 31 December 2022 it is considered not likely that the tax loss carry forward will be utilised in the near future, therefore the deferred tax assets is not capitalised.

Tax losses carry forward by country

NOK '000	2022	2021
Norway	-179 467	-98 681
Denmark	-23 859	-9 481
China	-17 533	-
Balance as of 31.12	**-220 859**	**-108 162**

At the end of 2022, HydrogenPro had tax loss carry forwards of NOK 221 million. Of the total, NOK 203 million is without expiration. The tax carry forwards with an expiry date expire after 2027.

NOTE 3.1 INTANGIBLE ASSETS

NOK '000	Technology	Patents and licences	2021 Total
Accumulated cost 01.01.2021	**36 545**	**8 456**	**45 001**
Additions	4 821	3 285	8 106
Accumulated cost 31.12.2021	**41 366**	**11 741**	**53 107**
Accumulated depreciation 01.01.2021	4 137	0	4 137
Depreciation for the year	0	0	0
Carrying amount at 31.12.2021	**37 229**	**11 741**	**48 970**
Expected useful life	10 years	5 years	
Depreciation method	Linear	Linear	

NOK '000	Technology	Patents and licences	Goodwill	2022 Total
Accumulated cost 01.01.2022	**41 366**	**11 741**	**0**	**53 107**
Acquisition of subsidiary			21 935	21 935
Accumulated cost 31.12.2022	**41 366**	**11 741**	**21 935**	**75 042**
Accumulated depreciation 01.01.2022	4 137	0	0	4 137
Depreciation for the year	4 136	2 348	0	6 484
Exchange differences	6	0	0	6
Carrying amount at 31.12.2022	**33 087**	**9 393**	**21 935**	**64 415**
Expected useful life	10 years	5 years		
Depreciation method	Linear	Linear		

Goodwill

For the purposes of impairment testing, goodwill has been allocated to the following cash generating units ("CGUs").

NOK '000	2022
HydrogenPro Tianjin CO Ltd	21 935
Total	**21 935**

The groups of CGUs that include goodwill are tested for impairment annually or when impairment triggers have been identified. CGUs are tested using the value-in-use approach determined by discounting expected future cash flows. Impairment losses are recognized for assets in CGUs where the recoverable amount is lower than book value

The discounted cash flow analysis is based on management's forecast for the period 2023 to 2027. The forecasted cash flows are based on signed contracts and identified prospects in addition to other expected revenue. Management has defined the EBITDA margin, discount rate and revenue growth as the most sensitive assessment in the value-in-use calculation.

Notes to the Consolidated Financial Statements

Estimated future cash flows are discounted to their present value. The discount rate is derived using capital asset pricing model. The asset beta is based on industry data, and the risk-free rate is based on a Chinese 10-year government bond.

The discount rate is not adjusted for IFRS 16 lease liabilities. An effective tax rate of 25% is applied in the discounted cash flow calculation.

When estimating the revenue growth and EBITDA margins, management has utilized forecasts based on existing contracts and current production capacity.

Several sensitivity analysis have been performed on the key assumptions in the value-in-use calculation . This sensitivity analysis of goodwill includes changing various assumptions to consider other potential alternative market conditions. This includes analysing the impact on the value-in-use calculation when changing the EBITDA margin, discount rate and revenue growth. The recoverable amounts exceeded book values for all scenarios in the sensitivity analysis.

The discount rate used in the impairment testing of goodwill is shown below.

NOK '000	2022
HydrogenPro Tianjin CO Ltd	21.8 %

HydrogenPro Tianjin CO Ltd. Is assumed to achieve a steady state in 2027 with a long-term growth rate of 2.0%.

HydrogenPro has performed an annual impairment test in December 2022. The recoverable amounts exceed book values for the CGU in the goodwill impairment testing and as such no impairment losses recognised in 2022.

Technology

The Technology cost corresponds to the acquisition of the subsidiary Advance Surface Plating ApS (ASP) The useful lifetime is expected to be 10 years. The acquisition date was 22th of December 2020, and depreciation was effective from January 2021. The Group has assessed the carrying value of the development cost as of 31.12.2022 and consider it to be intact. The conclusion is based on:

- The technical feasibility to development the product for it to be sold, and the groups intention and ability to complete and sell the product.
- The production line was completed by the end of 2021.
- The Groups adequate resources available to complete the development. This includes both technical competence and allocated research fund to complete large-scale testing.
- Calculations for expected earnings in Advanced Surface Plating ApS.

Patent and licences

As of 31.12.2022 the Group has capitalized NOK 11,7 relating to the FEED (front end and engineering study) to be used in the further development of 100 MW production plants. Useful lifetime is expected to be 5 years, and depreciation was effective from January 2021.

NOTE 3.2 PROPERTY, PLANT AND EQUIPMENT

NOK '000	Plant and machinery	Moveables	Machinery and plant in progress	2021 Total
Accumulated cost 01.01.2021	**3 017**	**147**		**3 164**
Additions	14 162	2 627	5 207	21 996
Skattefunn (tax compensations)	0	0	-1 185	-1 185
Disposals	0	0	0	0
Exchange differences	0	0	0	0
Accumulated cost 31.12.2021	**17 179**	**2 774**	**4 022**	**23 975**
Accumulated depreciation 01.01.2021	302	106	0	408
Depreciation for the year	865	60	0	925
Exchange differences	4	1	0	5
Carrying amount at 31.12.2021	**16 008**	**2 607**	**4 022**	**22 637**
Expected useful life	5 years	5-10 years		
Depreciation method	Linear	Linear		

NOK '000	Plant and machinery	Moveables	Machinery and plant in progress	2022 Total
Accumulated cost 01.01.2022	**17 179**	**2 774**	**4 022**	**23 975**
Additions	11 852	1 829	876	14 557
From Machinery and plant in progress	4 301	0	-4 301	0
Acquisition in subsidiary	22 384	0	0	22 384
Exchange differences	-212	83	0	-129
Accumulated cost 31.12.2022	**55 503**	**4 686**	**597**	**60 786**
Accumulated depreciation 01.01.2022	1 171	167	0	1 337
Depreciation for the year	3 393	456	0	3 849
Exchange differences	55	8	0	62
Carrying amount at 31.12.2022	**50 885**	**4 055**	**597**	**55 537**
Expected useful life	5 years	5-10 years		
Depreciation method	Linear	Linear		

Notes to the Consolidated Financial Statements

Technology centre Herøya - Machinery and plant in progress

The Technology centre at Herøya comprises two containers located close to HQ of HydrogenPro in Porsgrunn. The additions in 2022 corresponds to 0.28 MNOK. The containers are subject for 5 years straight line depreciation during 2022. The work to set up the technology centre, have been subject for support from Skattefunn during 2021. The purchase cost is reduced accordingly.

Advanced Surface Plating Line

Additions in 2022 are equivalent to 3.3 MNOK in plant and machinery and 0.1 MNOK in movables. These are costs incurred to establish the production plant facility in Aarhus.

HydrogenPro Tianjin CO Ltd

On the 9th of June HydrogenPro acquired 75% of the shares of HydrogenPro Tianjin CO Ltd. ("Tianjin"). Tianjin is reported as a part of the HydrogenPro Group form June 2022. The fair value of the identifiable property, plant, and equipment of Tianjin as the date of the acquisition were 22,4 MNOK. Additions in 2022 after this date are equivalent to 8,5 MNOK in plant and machinery, 1,4 MNOK in movables and 0,6 MNOK in machinery and plant in progress. These are cost incurred to establish the production plant facility in Tianjin, China.

NOTE 3.3 RIGHT-OF-USE ASSETS

The Group as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a result of these assessments the Group has considered leasing for vehicles and the rental contract for office space as leasing according to IFRS 16.

The leases do not contain any restrictions on the Group's dividend policy or financing. The Group does not have significant residual value guarantees related to its leases to disclose.

NOK '000	Buildings	Vehicles	2021 Total
Accumulated cost 01.01.2021	**0**	**334**	**334**
Additions	2 795	0	2 795
Accumulated cost 31.12.2021	**2 795**	**334**	**3 129**
Accumulated depreciation 01.01.2021	0	0	0
Depreciation for the year	0	154	154
Carrying amount at 31.12.2021	**2 795**	**180**	**2 975**
Economic life	2 years	2 years	
Depreciation method	Linear	Linear	

NOK '000	Plant and machinery	Moveables	2022 Total
Accumulated cost 01.01.2022	2 795	334	3 129
Additions	18 276	0	18 276
Accumulated cost 31.12.2022	21 071	334	21 405
Accumulated depreciation 01.01.2022	0	154	154
Depreciation for the year	3 472	154	3 626
Carrying amount at 31.12.2022	17 599	26	17 625
Economic life	2 years	2 years	
Depreciation method	Linear	Linear	

Lease liabilities

NOK '000	2022	2021
Balance as of 01.01.	2 975	334
Additions	18 276	2 795
Lease payments	-5 175	-154
Accretions of interest	367	0
Exchange differences	13	0
Carrying amount at 31.12.	16 456	2 975
Undiscounted lease liabilities and maturity of cash outflows		
Less than 1 year	5 124	1 610
1-3 years	9 915	1 365
4-5 years	1 417	0
Total lease liabilities as of 31.12.	16 456	2 975

Variable lease payments

In addition to the lease liabilities above, the Group is committed to pay variable lease payments for some of their leases. The variable lease payments are expensed as incurred.

Short-term leases and leases of low value assets

The Group has elected to apply the practical expedient of treating short-term leases and low value assets outside the scope of IFRS 16.

Notes to the Consolidated Financial Statements

NOTE 3.4 OTHER LONG TERM RECEIVABLES

NOK '000	2022	2021
Receivables from associated companies	4 308	4 444
Other receivables	512	495
Long term investments	0	17 934
Convertible receivables	52 056	26 458
Carrying amount at 31.12	**56 876**	**49 332**

Long term investments in 2021

Pre-paid 17 934 as part of the capital injection in HydrogenPro Tianjin. This transaction was completed in 2022, see details in note 4.2

Convertible loan

29 October 2021 HydrogenPro announced that it will join as a co-investor by financing DG Fuels LLC's ("DG Fuels") sustainable aviation fuel (SAF) project.

The convertible receivable is measured at fair value through profit or loss based on the level 3 in the fair value hierarchy. The valuation of the convertible rights is based on a value calculation made on stand-alone basis.

As the agreement and payment was made late in 2021, the face value was considered also to represent the fair value as at 31.12.2021.

For the fair value measurement of the conversion rights performed as at 31.12.2022, management has applied the volatility implied from the inception value and the application of Black and Scholes formula for European call options. Management calculates the value of the conversion rights to be USD 2.9 million.

The significant unobservable inputs used in the fair value measurement are price of the underlying and implied volatility. Total value of the convertible receivable is the sum of bond and convertible right, and amounts to NOK 52 million. The change in fair value has amount to NOK NOK 22 million has been recognised through profit and loss.

Reconciliation of recurring fair value measurement categorized as level 3

NOK '000	2022	2021
Opening balance 1. January	26 458	
Initial recognition		25 087
Unrealised change in value for the period recognised in the income statement	22 485	
Translation effect	3 113	1 371
Balance at 31 December	**52 056**	**26 458**

Unrealised gain for the period has been recognised in the line item "Fair value adjustment for financial instruments" in the income statement.

Sensitivity analysis

In accordance with IFRS, HydrogenPro has chosen to provide information about market risk and potential loss from changes in the fair value of convertible receivable through sensitivity analysis. For changes in price of the underlying ranging from USD 4.9 million to USD 8.2 and changes in volatility ranging from 28% to 38%, the value of the conversion rights is calculated in an interval from million USD 1.4 million to USD 4.5 million.

Refer to note 6.1 for reconciliation of the financial instruments.

NOTE 4.1 OVERVIEW OF GROUP

Company	Country of incorporation	Main operations	Ownership interest 2022	Voting power 2022	Ownership interest 2021	Voting power 2021
Advanced Surface Plating ApS	Denmark	Technology industries	100%	100%	100%	100%
HydrogenPro Tianjin CO Ltd	China	Technology industries	75%	75%		
Kvina Energy AS	Norway	Technology industries	50%	50%	50%	50%
Hydrogenpro France	France	Technology industries	100%	100%	100%	100%
Hydrogenpro Inc	USA	Technology industries	100%	100%		

NOTE 4.2 BUSINESS COMBINATION

On the 9th of June 2022 HydrogenPro acquired 75% of the shares and voting rights of HydrogenPro Tianjin CO Ltd ("Tianjin"). Tianjin has been consolidated by the company form the same date and the business combination is reflected in the consolidated financial position as from 30 June 2022.

In 2021 HydrogenPro engaged in strategic business relation with Tianjin HQY Machinery Co. Ltd ("THM") with the intention to establish an entity of HydrogenPro in China in 2022. In this process, HydrogenPro reached an agreement with THM in November 2021 to contribute NOK 18 million to the financing of a production line of electrolysers. This prepayment to THM was classified as other long-term receivables as at 31.12.2021. As a part of HydrogenPro's acquisition of Tianjin, the production line mentioned above was transferred to Tianjin as a contribution in kind.

HydrogenPro Tianjin is a provider of electrolyzer systems, headquartered in Tianjin, China. HydrogenPro Tianjin specializes in manufacturing and assembly of hydrogen systems, including steel system structures and high-pressure piping, and has its production facilities also in Tianjin, China. HydrogenPro Tianjin brings significant systems assembly capacity and know-how and complement the capabilities of the Group, improving control of the value chain and accelerating time to market.

HydrogenPro Tianjin was determined to be a "business" since it is capable of being conducted and managed for the purpose of providing goods to customers generating a net income. Reference was made to the definition of a "business" in IFRS 3 and the description above. The acquisition was therefore accounted for as a "business combination" when applying the acquisition method.

For the period between the date of acquisition and 31 December 2022, Tianjin contributed NOK 0 million to HydrogenPro's revenues as all production was delivered to HydrogenPro and negative NOK 19.2 million to net loss.

Notes to the Consolidated Financial Statements

Consideration transferred

The cash consideration for the 75 percent stake in Tianjin was NOK 50.4 million.

The table below summarizes the acquisition date fair value of each major class of consideration transferred.

NOK '000	2022
Total consideration	**50 389**
Consideration in cash 2022	32 454
Consideration in cash 2021	17 935
Net cash outflow	**50 389**

Acquisition-related costs

Transaction costs incurred by HydrogenPro related to the acquisition of Tianjin amounted to NOK 1.7 million. These costs have been recognized as operating expenses and payroll expenses.

Identifiable assets acquired and liabilities assumed

NOK '000	2022
Assets	
Property,plant and equipment	22 384
Cash and cash equivalents	11 890
Other current assets	18 073
Total assets	**52 347**

NOK '000	2022
Liabilities	
Deferred tax liability	-1 055
Other long-term liabilities	-721
Other short term liabilities	-12 634
Total liabilities	**-14 410**
Net identifiable assets (100%)	**37 937**

The majority of the identified assets relates to production lines and machinery.

Measurement of fair value

The valuation technique used for measuring the fair value of fixed assets acquired is the cost approach, where the fair values are set equal to the appraisal value or purchase price. The cost approach relies on substitution principle where the price that would be received for an asset is based on the cost to a market participant buyer acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

The fair value of all other assets and liabilities are assumed to equal book values.

The trade receivables comprise gross contractual amounts due of NOK 18 million, of which nil was expected to be uncollectible at the date of acquisition.

Fair value is measured on a provisional basis. The figures will be revised if new information is obtained within one year of the date of acquisition concerning facts and circumstances, or additional provisions, that existed on the date of acquisition.

Goodwill

NOK '000	2022
Consideration transferred	50 389
Non-controlling interest	9 484
Fair value of net identified assets (100%)	37 937
Goodwill	**21 935**

Goodwill amounting to NOK 22 million recognised from the acquisition is mainly related to the scalable platform for new production facilities based on experience from Tianjin.

Non-controlling interest is measured based on the proportionate interest in the recognised amount of the identifiable net assets of the acquire.

None of the goodwill recognized is expected to be deductible for tax purposes.

NOTE 5.1 INVENTORY

NOK '000	2022	2021
Work in progress	2 861	0
Raw material	32 901	308
Balance as of 31.12	**41 762**	**308**

Inventories comprises purchased raw materials and work in progress. Raw materials include parts that become an integrated part of final finished goods. Obsolescence is considered for inventories and as of 31.12.2022 there are no write-downs performed on obsolete goods. Inventories are measured under the weighted-average cost formula.

Notes to the Consolidated Financial Statements

NOTE 5.2 TRADE AND OTHER RECEIVABLES

Trade receivables

NOK '000	2022	2021
Receivables related to revenue from contract with customers - external	19 730	12 586
Contract asset	19 829	456
Total accounts receivables (Gross)	39 558	13 042
Allowance for expected credit losses	1 145	0
Balance as of 31.12	**38 413**	**13 042**

The allowance for expected credit losses covers the amounts that is more than 30 days past due, and that are assessed as uncertain.

Other short terms receivables

NOK '000	2022	2021
Pre-paid costs	1 906	3 335
Pre-paid raw material	26 970	0
Pre-paid tangible assets	7 926	0
VAT net receivables	7 573	2 305
Other current receivables	3 139	1 954
Balance as of 31.12	**47 514**	**7 594**

NOTE 5.3 TRADE CREDITORS AND OTHER CURRENT LIABILITIES

NOK '000	2022	2021
Trade creditors	20 578	3 290
Government taxes, tax deductions etc.	10 797	5 244
Contract liabilities (incl. prepayment from customers)	76 182	907
Other liabilities	11 333	4 418
Balance as of 31.12	**118 891**	**13 858**

Trade payables are non-interest bearing and are normally settled on 30-days terms.

Contract liabilities is primarily due to a prepayment from Mitsubishi, that is to be recognized as revenue in 2023 depending on performance obligations.

NOTE 6.1 OVERVIEW OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview

Through its activities, the Group will be exposed to different types of financial risks: market risk, credit risk and liquidity risk. This note presents information related to the Group's exposure to such risks, the Group's objectives, policies and procedures for risk management and handling, as well as the Group's management of capital. Additional quantitative information is included in these consolidated financial statements.

The Group's overall risk management plan is to ensure the ongoing liquidity in the group, defined as to being able to meet its obligations at any time. The Group do not have any external bank borrowings, and therefore no covenants related to borrowings.

Risk management of the group is maintained by the operational executives as CEO and CFO along with the Board. This includes tasks to identify, measure, mitigate and report on financial risks in close cooperation with the various operating units. Risk management policies and procedures are reviewed regularly to take into account changes in the market and the Group's activities.

Capital management

The Group's main goal is to maximize shareholder value while ensuring the Group's ability to continue operations. The Group has a target to maintain a capital structure that gives the Group an optimal capital binding given the current market situation. The Group makes the necessary changes to their capital structure based on an ongoing assessment of the business' financial situation and future prospects in the short and medium term.

Financial risk instruments by category

2022

NOK '000	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Financial assets measured at fair value (level 3)	Total carrying amount 31.12.2022
Other non current receivables	4 820			4 820
Convertible receivables			52 056	52 056
Accounts receivables	38 413			38 413
Cash and cash equivalents	257 022			257 022
Total financial assets	**300 255**		**52 056**	**352 311**
Non-current lease liabilities		11 332		11 332
Trade an other payables		20 578		20 578
Current lease liabilities		5 124		5 124
Total financial liabilities		**37 034**		**37 034**

Notes to the Consolidated Financial Statements

2021

NOK '000	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Financial assets measured at fair value (level 3)	Total carrying amount 31.12.2021
Other non current receivables	22 874			22 874
Convertible receivables			26 458	26 458
Accounts receivables	13 042			13 042
Cash and cash equivalents	382 255			382 255
Total financial assets	**418 171**		**26 458**	**444 629**
Non-current lease liabilities		1 365		1 365
Trade an other payables		3 290		3 290
Current lease liabilities		1 610		1 610
Total financial liabilities		**6 265**		**6 265**

Financial risk management

Through its ordinary operating activities, the Group is exposed to various types of risk and this exposure to risk is expected to increase as HydrogenPro gradually becomes more involved in the actual delivery and system integration of large-scale electrolyser plants. The Group is proactively working to identify risks and taking risk mitigating initiatives to the extent this is practicable and appropriate.

Below follows a description of the Group's main types of risks;

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the group by failing to settle its obligations.

The group is exposed to credit risks in conducting its ordinary activities. The credit risk primarily relates to its trade receivables and its cash and cash equivalents. As our customer base mainly consist of large industrial Groups, the credit risk related to trade receivables are considered limited.

The following table provides information about the exposure to credit risk for trade receivables from customers as of 31st of December:

	2022		2021	
NOK '000	Gross carrying amount	Provision bad dept	Gross carrying amount	Provision bad dept
Current (not past due)	9 093	0	5 313	0
1-30 days past due	9 484	0	6 189	0
More than one year past due	1 145	1 145	1 085	0
Total	**19 722**	**1 145**	**12 586**	**0**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group manages its liquidity with a high level of prudency, with rules and policies that ensure an adequate amount of cash and cash equivalents to meet the immediate needs of resources both in the short and long term. Liquidity forecasts are regularly monitored against the contractual maturities or lease liabilities. Financial liabilities are specified in note 19. All financial liabilities are due within one year.

Maturity analysis for lease liability are included in note 3.3.

Market risk

Marked risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risks for the Group comprise of the following three types of risk: foreign exchange risk, interest rate risk and raw materials risk.

Foreign exchange risk

The Group's functional currency is NOK. The Group operates globally and is therefore exposed to currency fluctuations, mainly related to USD, EUR and CNY. As of today, the Group does not hedge currency, but this is an issue that is being considered.

NOTE 6.2 CASH AND CASH EQUIVALENTS

NOK '000	2022	2021
Cash		
Short-term bank deposits	257 022	382 255
Cash and cash equivalents in the balance sheet	**257 022**	**382 255**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

The Group has no credit facilities.

Restricted bank deposit	3 026	1 745

Notes to the Consolidated Financial Statements

NOTE 6.3 SHARE CAPITAL AND SHAREHOLDERS

The 20 main shareholders at 31.12.22 are:

Shareholder	Number of shares	Ownership interest
Richard Espeseth	11 424 125	19.69%
TM Holding AS	9 635 182	16.60%
Clearstream Banking S.A.	6 280 423	10.82%
Mitsubishi heavy Industries Ltd	5 381 165	9.27%
Vivan Espeseth	3 173 571	5.47%
Citibank Europe plc	1 600 000	2.76%
Avanza Bank AB	1 523 731	2.63%
Eneren Invest AS	1 506 966	2.60%
Tor Danielsen	1 373 571	2.37%
Jan Fredrik Garvik	1 337 411	2.30%
DZ Privatbank S.A.	1 322 981	2.28%
VERDIPAPIRFONDET DNB SMB	1 174 894	2.02%
Nordnet Bank AB	872 205	1.50%
VERDIPAPIRFONDET PARETO INVESTMENT	841 000	1.45%
BARCLAYS CAPITAL SEC. LTD FIRM	745 934	1.29%
Nordea Bank Abp	727 783	1.25%
VPF NORGE SELEKTIV	604 914	1.04%
Goldman Sachs & Co. LLC	415 629	0.72%
LJM AS	350 000	0.60%
The Bank of New York Mellon SA/NV	335 335	0.58%
	50 626 820	87.25%
Total other shareholders	7 401 351	12.75%
Total number of shares	**58 028 171**	**100.00%**

As of 31 December 2022, the group's share capital was NOK 1 161 (0.058) TNOK, consisting of 58 028 171 (58 028 171) shares each with a par value of NOK 0,02 (0,001).

NOTE 6.4 EARNINGS PER SHARE

NOK '000	2022	2021
Basic earnings per share		
Profit/(loss) for the year attributable to ordinary shares	-84 888	-56 096
Issued shares as of 1 January	58 028 171	57 169 312
Share issued	0	858 859
Issued ordinary shares at 31 December	58 028 171	58 028 171
Effect of weighting	0	0
Weighted average number of shares outstanding for the purpose of basic earnings per share	**58 028 171**	**57 598 742**
Basic earnings per share for income attributable to the equity holder of the parent company	**-1.46**	**-0.97**
Diluted earnings per share		
Weighted average number of shares outstanding for the purpose of diluted earnings per share	58 028 171	57 598 742
Diluted earnings per share for income attributable to the equity holder of the parent company	**-1.46**	**-0.97**

Notes to the Consolidated Financial Statements

NOTE 7.1 REMUNERATION AND BOARD MANAGEMENT

Executive management remuneration

2022

NOK '000	Salary and invoiced fees	Bonus	Benefits in kind	Pension expense	Total remun-eration	Number of shares	Owner-ship Interest
Tarjei Johansen (CEO) 1)	250		1	8	259		
Martin Thanem Holtet (CFO)	1 591		14	91	1 696		
Richard Espeseth (CBDO) 2)	2 225	413	14	93	2 745	11 424 125	19.69%
Erik Chr Bolstad (CCO)	1 331	75	14	93	1 513		
Karoline Aafos (CPO) 3)	499		7	38	544		
Tormod Kløve (CLO) 4)	211		1	12	224		
Mårten Lunde (ex CEO), through Enern Invest AS 5)	2 184				2 184		
Elling Nygaard (ex CEO) 6)	2 004		10	69	2 083	10	0.00%
Sindre Utne (ex COO) 7)	1 739	180	4	53	1 976	4 270	0.01%

1) Johansen started his employment as CEO 1th of December 2022.
2) Espeseth was Acting CEO in the period 21th of June 2033 - 30th of November 2022. In addition to shares held by Richard Espeseth, 3.173.571 shares are held by his spouse. They are not included in the table above.
3) Aafos started her employment as CPO 15th of August 2022.
4) Kløve started his employment as CLO 14th of November 2022.
5) Lunde ended his management for hire 31th December 2021. De had a 12 month termination period ended 31th of December 2022.
6) Nygaard resigned his position 21th of June 2022, and his employment 30th of September 2022. He will receive severance pay up to and including June 2023.
7) Utne ended his employment 30th April 2022. He will receive severance pay up to and including January 2023.

2021

NOK '000	Salary and invoiced fees	Bonus	Benefits in kind	Pension expense	Total remun-eration	Number of shares	Owner-ship Interest
Elling Nygaard (CEO)	360		3	25	388	10 315	0.02%
Martin Thanem Holtet (CFO)	1 050		11	72	1 133		
Richard Espeseth (CBDO)	1 781		12	88	1 881	11 424 125	19.69%
Erik Chr Bolstad (CCO)	450		7	29	486		
Sindre Utne (COO)	948		8	58	1 014	4270	0.01
Mårten Lunde (ex CEO), through Enern Invest AS	2 479	800			3 279		

Board of Directors remuneration

2022

NOK '000	Consultant fees	Board fee	Total remun-eration	Number of shares	Owner-ship Interest
Ellen Hanetho (Chair)	275	703	978		
Jarle Tautra 1)		126	126	1 000	0.00%
Jarle Dragvik 2)		126	126	7 700	0.01%
Vivian Espeseth				3 173 571	5.47%
Donna Rennemo					
Kermit Nash (ex member)		213	213		
Terje Mikalsen (ex member)		227	227		

1) Held trough the controlled company Jasmig AS
2) Held by the controlled company Jardis Invest AS. In addition 9.635.182 shares held by TM Holding, where Jarle Dragvik is CEO, but does not own any share.

2021

NOK '000	Consultant fees	Board fee	Other 1)	Total remun-eration	Number of shares	Owner-ship Interest
Ellen Hanetho (Chair)	316	227		545		
Richard Espeseth					11 424 125	19.69%
Jarle Tautra 2)					1 000	0.00%
Kermit Nash	96			96		
Jarle Dragvik 3)					2200	0.00%
Walter H Qvam (ex member)		450	1 214	1 664	170 713	0.29%
Terje Mikalsen (ex member)						

1) Other compensation includes exercised options during the period.
2) Held trough the controlled company Jasmig AS.
3) Held by the controlled company Jardis Invest AS. In addition 9.635.182 shares held by TM Holding, where Jarle Dragvik is CEO, but does not own any share.

Notes to the Consolidated Financial Statements

NOTE 8 ALTERNATIVE PERFORMANCE MEASURES

HydrogenPro discloses alternative performance measures.

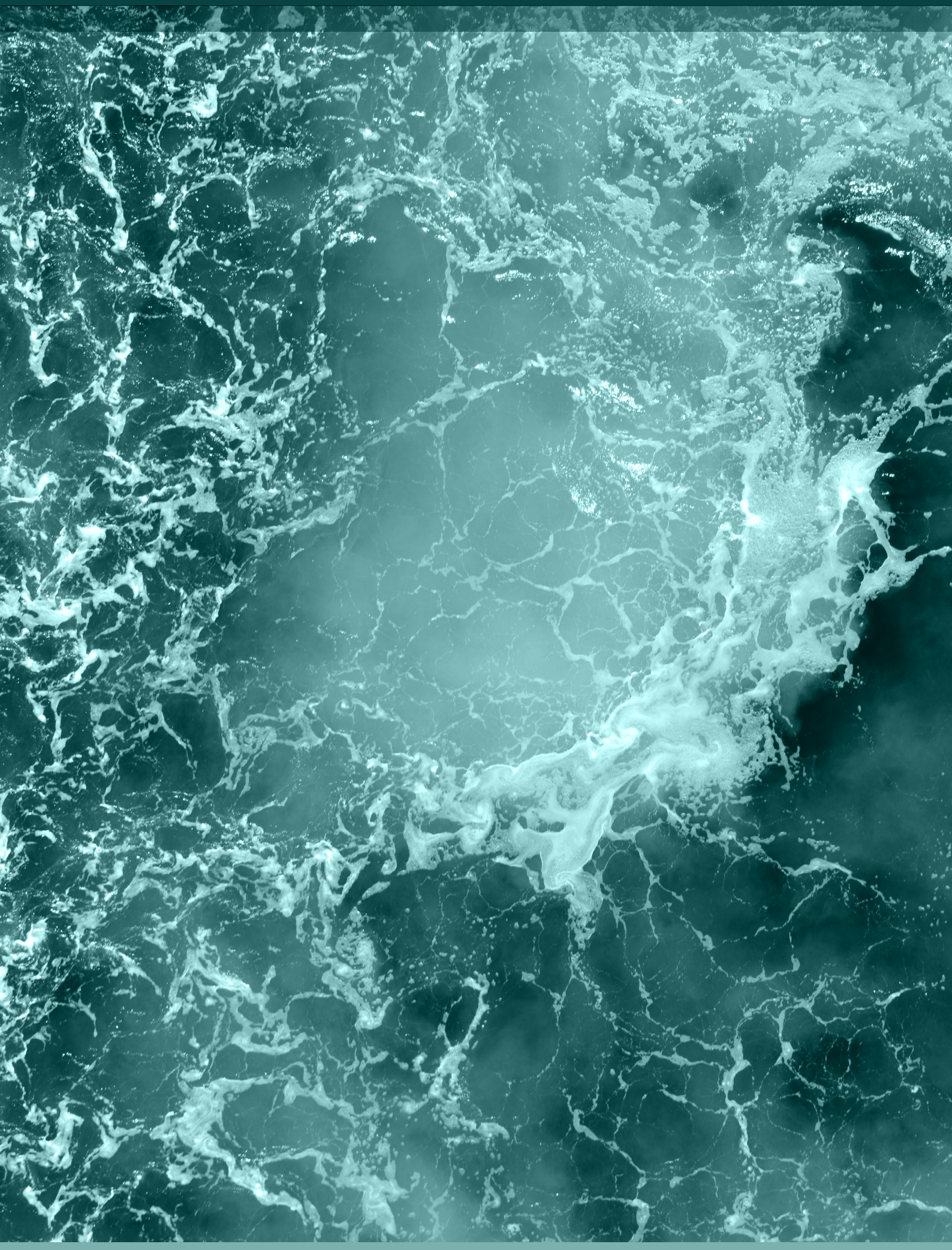
This is based on the group's experience that APMs are frequently used by analysts, investors and other parties as supplemental information.

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.

HydrogenPro's financial APMs:

EBITDA	is defined as earnings before interest, tax, depreciation, amortisation and impairment, corresponding to operating profit/(loss) plus depreciation, amortisation and impairment.
Adjusted EBITDA	excludes special items, e.g. non-cash impact of incentive program, to better present the underlying performance in the reported period.
Net investments	Additions to property, plant and equipment (capital expenditures), plus long- term securities, intangible assets, long-term advances and investments in equity accounted investments, including amounts recognised in business combinations for continuing operations.
Order intake	is defined as firm purchase order with agreed price, volume, timing, term and conditions entered within a given period. The order intake includes both contracts and change order. For service contracts and contract with uncertain transaction price, the order intake is based on estimated revenue. The measure does not include potential change order.
Backlog	is defined as a firm purchase order with agreed price, volume, timing, term and condition and where revenue is yet to recognize. The backlog includes both contracts and change order. For service contracts and contract with uncertain transaction price, the backlog is based on estimated revenue. The measure does not include potential change order.



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Statement of Profit and Loss

NOK '000	Note	2022	2021
Revenue		56 353	19 936
Total revenue	2	**56 353**	**19 936**
Cost of goods sold	3	46 813	11 179
Personnel expenses	4, 16	50 895	29 520
Depreciation and amortisation expense	9	3 663	604
Other operating expenses	6	44 737	29 736
Operating profit/(loss)		**-89 755**	**-51 104**
Financial income	7	17 452	4 790
Financial expenses	7	10 163	1 274
Net financial income and expenses		**7 289**	**3 516**
Profit/(loss) before income tax		**-82 466**	**-47 588**
Income tax expense		0	0
Profit/(loss) for the year		**-82 466**	**-47 588**
To/(from) other equity		-82 466	-47 588
Total allocated and equity transfers		**-82 466**	**-47 588**

Statement of Financial Position

as of 31 December

NOK '000	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	9	9 393	11 742
Property, plant and equipment	9	5 366	6 401
Investments in subsidiaries	10	117 095	66 020
Loan to group companies	10	13 051	1 056
Investment in shares		1	1
Convertible receivable DG Fules	11	29 571	26 458
Other receivables	12	4 766	21 644
Total non-current assets		**179 243**	**133 322**
Current assets			
Inventories	13	13 500	0
Trade receivables	14	38 406	13 042
Other receivables	12	66 490	6 168
Cash and bank deposits	15	247 632	380 692
Total current assets		**366 028**	**399 902**
TOTAL ASSETS		**545 271**	**533 224**

Statement of Financial Position

as of 31 December

NOK '000	Note	2022	2021
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	1 161	58
Share premium account	16	575 039	576 141
Other equity contributed	17	34 162	26 800
Other equity	16	-165 702	-83 236
TOTAL EQUITY		444 660	519 763
LIABILITIES			
Current liabilities			
Trade creditors	18	12 698	3141
Public duties payable	18	6 331	5071
Other short term liabilities	18	81 582	5249
Total current liabilities		100 611	13 461
TOTAL LIABILITIES		100 611	13 461
TOTAL EQUITY AND LIABILITIES		545 271	533 224

Porsgrunn/Oslo, 30 March 2023

(All signatures electronically signed)

Ellen Merethe Hanetho	Donna Rennemo	Jarle Tautra	Vivian Espeseth	Jarle Dragvik	Tarjei Johansen
Chair of the Board	*Board member*	*Board member*	*Board member*	*Board member*	*CEO*

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent company					
NOK '000	Share capital	Share premium account	Other equity contributed	Uncovered loss	Total other equity	Total equity
Equity as at 01.01 2021	57	542 170	9 098	-35 648	-35 648	515 677
Profit for the period				-47 588	-47 588	-47 588
Issue of share capital	1	33 971				33 972
Cost of share-based payment			17 702			17 702
Equity as at 31.12 2020	58	576 141	26 800	-83 236	-83 236	519 763
Adjusted equity as at 01.01 2022	58	576 141	26 800	-83 236	-83 236	519 763
Profit for the period				-82 466	-82 466	-82 466
Issue of share capital	1 103	-1 103				
Cost of share-based payment			7 362			7 362
Equity as at 31.12 2021	1 161	575 039	34 162	-165 702	-165 702	444 660

Statement of Cash Flows

NOK '000	Note	2022	2021
Cash flows from operating activities			
Net Income / (Loss) before tax		-82 466	-47 588
Depreciation, amortisation & impairment	9	3 663	604
Option cost no cash effect		7 362	16 291
Change in inventory		-13 500	0
Change in accounts receivable	11	-25 364	-9 404
Change in accounts payable	16	9 557	-4 036
Write-down shares		0	7
Effect of foreign currency translation		-3 113	0
Change in other accruals	12	16 918	1 922
Net cash flows from operating activities		**-86 942**	**-42 204**
Cash flows from investing activities			
Change in tangible assets	9	-280	-5 752
Change in intangible assets	9	0	-3 285
Acquisition of subsidiary, net of cash acquired		-32 964	-17 934
Change in other investing activities		-879	-58 231
Net cash flows from investing activities		**-34 123**	**-85 203**
Cash flows from financing activities			
Increase of loan to subsidiaries		-11 995	0
Transaction not recognized over P&L		0	176
Proceeds from Equity Issue		0	1 812
Net cash flows from financing activities		**-11 995**	**1 988**
Cash balance start of period		**380 692**	**506 111**
Net change in cash		-133 060	-125 419
Cash balance end of period		**247 632**	**380 692**

Notes to the Parent Company Financial Statements

NOTE 1 GENERAL ACCOUNTING PRINCIPLES

Hydrogenpro ASA is a public limited company, incorporated in Norway, headquartered in Porsgrunn and listed on Oslo Stock Exchange, Address headquarters: Hydrovegen 6, 3933 Porsgrunn, Norway.

HydrogenPro ASA designs and supplies large scale hydrogen production plants in cooperation with global partners and suppliers. Our core product is the alkaline high-pressure electrolyser. The company was founded in 2013 by individuals with background from the electrolysis industry. We are an experienced engineering team of leading industry experts, drawing upon unparalleled experience and expertise in the hydrogen and renewable energy industry.

Our advanced electrode technology enables us to increase the efficiency of each unit by 14%., hence reducing electricity cost with 14%. This is a significant step forward as the cost of electric power, depending on market prices, amounts to 70-90% of the total cost of producing hydrogen. The value of such increased efficiency equals approximately the investment cost for the entire plan in a Total cost of Operation perspective.

Unlike traditional alkaline systems, our high-pressure units (up to 30 bar) save compression cost and are superbly suited for variable loads from solar panels and wind turbines. Thus, we compare favourable to alternative technologies. We are able to produce hydrogen at a lower cost, without using noble or scarce metals, while using renewable energy sources.

HydrogenPro ASA designs and supplies large scale hydrogen production plants in cooperation with global partners and suppliers. Our core product is the alkaline high-pressure electrolyser. The company was founded in 2013 by individuals with background from the electrolysis industry. We are an experienced engineering team of leading industry experts, drawing upon unparalleled experience and expertise in the hydrogen and renewable energy industry.

HydrogenPro ASA is listed o at Oslo Stock Exchange under the ticker "HYPRO".

The financial statements of Hydrogenpro ASA for the fiscal year 2022 were approved in the board meeting at 30.03.2023.

Basis for preparation of the annual accounts

The Hydrogenpro AS's financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and Norwegian Generally Accepted Accounting Principles (NGAAP).

The financial statements are based on historical cost.

The financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

Functional currency and presentation currency.

The Company's presentation and functional currency is NOK.

Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rate are recognised continuously in the accounting period.

The use of estimates and assessment of accounting policies when preparing the annual accounts

Estimates and assumptions

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities. This particularly applies to the depreciation of tangible fixed assets, intangible assets, share-based payments and evaluations related to acquisitions. Future events may lead to these estimates being changed. Estimates and their underlying assumptions are reviewed on a regular basis and are based on best estimates and historical experience. Changes in accounting estimates are recognised during the period when the changes take place. If the changes also apply to future periods, the effect is divided among the present and future periods.

Judgments

The management has, when preparing the financial statements; made certain significant assessments based on critical judgment when it comes to application of the accounting principles. The following notes include the Company's assessments regarding:

- Revenue recognition, note 2
- Taxes, note 8
- Assets cost and depreciation – note 9
- Share-based payment, note 17

Current versus non-current classification

The presents assets and liabilities in the statement of financial position as either current or non-current.

The Company classifies an asset as current when it:

- Expects to realise the asset, or intends to sell or consume it, in its normal operating cycle
- Holds the asset primarily for the purpose of trading
- Expects to realise the asset within twelve months after the reporting period Or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current, including deferred tax assets. The Company classifies a liability as current when it:

- Expects to settle the liability in its normal operating cycle
- Holds the liability primarily for the purpose of trading
- Is due to be settled within twelve months after the reporting period Or
- It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current, including deferred tax liabilities.

Revenue from contracts with customers

The revenue in HydrogenPro is from sale of Hydrogen electrolyser systems and engineering services. Long term fixes-price contracts are valued to the percentage of completion method. The degree of completion is calculated as expenses incurred as a percentage of estimated total expense. Total expenses are reviewed on a regular basis. If projects are expected to result in losses, the total estimated loss is recognised immediately.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, with the exception of:

- temporary differences related to investments in subsidiaries, associates, or joint ventures when the Company controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Company where temporary differences have arisen.

Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Research and development

Expenses relating to research activities are recognised in the statement of comprehensive income as they incur. Expenses relating to development activities are capitalised to the extent that the product or process is technically and commercially viable and the Company has sufficient resources to complete the development work. Expenses that are capitalised include the costs of materials, direct wage costs and a share of the directly attributable common expenses. Capitalised development costs are recognised at their cost minus accumulated amortisation and impairment losses.

Property, plant and equipment

Property, plant and equipment are valued at their cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the carrying amount is derecognised and any gain or loss is recognised in the statement of profit and loss.

The depreciation period and method are assessed each year.

Assets under construction are classified as non-current assets and recognised at cost until the production or development process is completed. Assets under construction are not depreciated until the asset is taken into use.

Patents and licenses

Amounts paid for patents and licenses are capitalised and amortised in a straight line over the expected useful life. The expected useful life of patents and licenses varies from 5 til 10 years.

Government grants

Government grants are recognised when it is reasonably certain that the company will meet the conditions stipulated for the grants and that the grants will be received. Operating grants are recognised systematically during the grant period. Grants are deducted from the cost which the grant is meant to cover. Investment grants are capitalised and recognised systematically over the asset's useful life. Investment grants are recognised either as deferred income or as a deduction of the asset's carrying amount.

Notes to the Consolidated Financial Statements

Financial assets
The Company´s financial assets are: non-listed equity instruments, trade receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial liabilities
Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate. Loans, borrowings, and payables are recognised at fair value net of directly attributable transaction costs.

Payables are measured at their nominal amount when the effect of discounting is not material.

Inventories
The company have recognized inventory in 2022. These are measured and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the company expect to realise when the product is processed and sold, less estimated cost to complete production an bring the product to sale.

Subsidiaries and investment in associated companies
Subsidiaries are entities controlled by HydrogenPro ASA. Subsidiaries and investment in associated companies are accounted for using the cost method and are recognised as cost less impairment.

Cash and cash equivalents
Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

In the statement of cash flows, the overdraft facility is stated minus the balance of cash and cash equivalents.

Employee benefits
Wages, salaries, bonuses, pension, and social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company. The Company has pension plans for employees that are classified as defined contribution plans. Contributions to defined contribution schemes are recognised in the statement of profit or loss in the period in which the contribution amounts are earned by the employees.

Share based payments
The Company has an option-program, including employees, board members and Guarantors. The programs are measured at fair value at the date of the grant, using an appropriate valuation model. That cost is recognised in personnel expenses, together with a corresponding increase in equity over the vesting period. Granted options are generally vested or earned during a period of three years according to a predetermined schedule. Options vested or earned can be exercised at any time and must be exercised latest four years after award. The vesting requires continued employment or association with the company.

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

For further information refer note 4 (salary and benefit) and 15 (share option plan).

Contingent liabilities and assets
Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Company.

Statement of cash flow
The cash flow statement is prepared using the indirect method.

Going concern
The financial statement is presented on the going concern assumption. As per the date of this report HydrogenPro ASA has sufficient working capital for its planned business activities over the next twelve-month period.

The Board of Directors confirmed on this basis that the going concern assumption is valid, and that financial statements are prepared in accordance with this assumption.

Events after the reporting period
New information on the company's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period, but which will affect the company's financial position in the future are disclosed if significant. For further information refer to the Board of Directors report regarding:

The 20th of March 2023, HydrogenPro announced our plans to expand in the US with a new plant in Texas with a manufacturing capacity of 500 MW.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's revenue from contracts with customers has been disaggregated and presented in the tables below:

Geographical region

NOK '000	2022	2021
Norway	4 866	259
Europe	0	698
America	41 370	16 053
Asia Pacific	10 117	2 926
Total revenue	**56 353**	**19 936**

Major products/service lines

NOK '000	2022	2021
Revenue from sale of electrolyser system	51 468	19 677
Revenue form sale of Feed and case-studies	4 885	259
Total revenue	**56 353**	**19 936**

The revenue in HydrogenPro is from sale of Hydrogen electrolyser systems and engineering services. Long term fixes-price contracts are valued to the percentage of completion method. The degree of completion is calculated as expenses incurred as a percentage of estimated total expense. Total expenses are reviewed on a regular basis. If projects are expected to result in losses, the total estimated loss is recognised immediately.

NOTE 3 COST OF GOODS SOLD

NOK '000	2022	2021
Cost of goods sold	45 661	11 043
Cost of handling and freight	787	136
Other cost of gods sold	364	0
Total cost of gods sold	**46 813**	**11 179**

Notes to the Consolidated Financial Statements

NOTE 4 PERSONNEL EXPENSES

NOK '000	2022	2021
Salaries	35 300	12 479
Sosial security tax	5 270	2 522
Option cost	6 697	12 292
Pension costs defined contribution plans (note 17)	3 030	1 441
Other personnel costs	597	786
Total salaries and personnel expense	50 895	29 520

In addition, some invoices have been received for fees and bonuses, and these are included in other operating expenses. Option cost related to hired personnel is expended as other operating expenses.

	2022	2021
Average number of full time employees	27	15

Executive management remuneration

NOK '000	Salary and invoiced fees	Bonus	Benefits in kind	Pension expense	Total remunerat. 2022	Total emunerat. 2021
Tarjei Johansen (CEO) 1)	250		1	8	259	
Martin Thanem Holtet (CFO)	1 591		14	91	1 696	1 133
Richard Espeseth (CBDO) 2	2 225	413	14	93	2 745	1 881
Erik Chr Bolstad (CCO)	1 331	75	14	93	1 513	486
Karoline Aafos (CPO) 3)	499		7	38	544	
Tormod Kløve (CLO) 4)	211		1	12	224	
Mårten Lunde (ex CEO), through Enern Invest AS 5)	2 184				2 184	3 279
Elling Nygaard (ex CEO) 6)	2 004		10	69	2 083	388
Sindre Utne (ex COO) 7)	1 739	180	4	53	1 976	1 014

1) Johansen started his employment as CEO 1th of December 2022.
2) Espeseth was Acting CEO in the period 21th of June 2033 - 30th of November 2022. In addition to shares held by Richard Espeseth, 3.173.571 shares are held by his spouse. They are not included in the table above.
3) Aafos started her employment as CPO 15th of August 2022.
4) Kløve started his employment as CLO 14th of November 2022.
5) Lunde ended his management for hire 31th December 2021. De had a 12 month termination period ended 31th of December 2022.
6) Nygaard resigned his position 21th of June 2022, and his employment 30th of September 2022. He will receive severance pay up to and including June 2023.
7) Utne ended his employment 30th April 2022. He will receive severance pay up to and including January 2023.

Board of Directors remuneration

NOK '000	Board fees	Salary and invoiced fees	Total remunerat. 2022	Total emunerat. 2021
Ellen Hanetho (Chair)	703	275	978	544
Jarle Tautra	126		126	
Jarle Dragvik	126		126	
Vivian Espeseth				
Donna Rennemo				
Kermit Nash (ex member)	213		213	96
Terje Mikalsen (ex member)	227			
Walter H Qvam (ex member)				450

No loans/sureties have been granted to the CEO, Chair, or other related parties.

Options to leading employees and Board of Directors

Name	Quantity 01.01.22	Granted in period	Terminated in period	Cancelled in period	Quantity 31.12.22	Cost for the period
Ellen Hanetho 1)	2 143 170	0	0	0	2 143 170	2 226 975
Elling Nygaard	450 000	0	-243 750	0	206 250	671 023
Enern Invest AS (Mårten Lunde)	1 500 000	0	-178 755	0	1 321 245	905 882
Erik Christian Bolstad	100 000	0	0	0	100 000	333 121
Karoline Aafos	100 000	0	-42 604	0	57 396	-176 924
Martin Thanem Holtet	150 000	150 000	0	-150 000	150 000	2 046 804
Sindre Utne	150 000	0	-81 250	0	68 750	-525 354
Tarjei Johansen	0	400 000	0	0	400 000	233 702
TM Holding (Terje Mikalsen)	163 005	0	0	0	163 005	

1) 1 490 000 of Ellen Hanetho's options are held by Opulentia Invest AS which is owned 100% by Ellen Hanetho.

Granted options are generally vested or earned during a period of three years according to a predetermined schedule. Options vested or earned can be exercised at any time and must be exercised latest four years after award. The vesting requires continued employment or association with the company.

For more details regarding stock option plan - see note 17.

Notes to the Consolidated Financial Statements

NOTE 5 PENSIONS

Defined contribution plan

The Group's companies in Norway, have defined contribution plans in accordance with local laws. The contribution plan covers employees who work more than 20% FTE and amounts between 1 G and 12 G of the salary. The percent of the salary is 7%.

The employees may influence the investment management through an agreement with Gjensidige AS. The contribution is expensed when it is accrued. As of 31.12.2022 there were 36 members covered by the scheme.

The contributions recognised as expenses equalled TNOK 3 030 in 2022 and TNOK 1 445 in 2021. The contributions to CEO were TNOK 69 in 2022 and TNOK 25 in 2021.

NOTE 6 OTHER OPERATING EXPENSES

Other operating expenses

NOK '000	2022	2021
Advertising and direct sale cost	207	229
Repair and maintenance costs	659	135
Rental and leasing costs	3 935	1 241
Travel costs	2 118	708
Consultancy fees and external personnel	31 362	20 009
Provision bad debts	1 194	0
Other operating costs	5 263	7 413
Total operating expenses	**44 737**	**29 736**

Specification auditors fee

NOK '000	2022	2021
Statutory audit	0	769
Other assurance services	0	12
Other non-assurance services	0	138
Total	**0**	**919**

Statuary audit includes technical assistance with financial reporting.

NOTE 7 FINANCIAL INCOME AND EXPENSES

Financial income

NOK '000	2022	2021
Other financial income	19	0
Interest income	3 434	2 278
Foreign exchange gains	13 999	2 511
Total financial income	17 452	4 790

Financial expenses

NOK '000	2022	2021
Interest on debts and borrowings	26	49
Foreign exchange losses	9 915	539
Other financial expenses	222	685
Total financial expenses	10 163	1 274

NOTE 8 INCOME TAX

Income tax expense for the year

NOK '000	2022	2021
Income tax payable	0	0
Changes in deferred tax	0	0
Total income tax expense	0	0

Basis for income tax expense

NOK '000	2022	2021
Profit / loss (-) before taxes	-82 485	-47 588
Permanent differences	59	-986
Changes in temporary differences	1 640	24 868
Basis for tax payable	-80 786	-23 715

Notes to the Consolidated Financial Statements

Explanation as of why the current year's tax expense is not 22% of the profit before tax:

NOK '000	2022	2021
Tax on profit before taxes (22%)	-18 147	-10 469
Tax on permanent differences (22%)	13	-219
Change in not recognised deferred tax assets	18 134	10 688
Tax expense	**0**	**0**
Effective tax rate	0.00%	0.00%

Overview temporary differences

NOK '000	2022	2021	Change
Property, Plant and Equipment	1 082	1 310	228
Provisions	-1 709	-200	1 509
Non current receivables or liabilities in other currencies	5 174	1 371	-3 803
Production contracts	1 504	5 210	3 706
Tax loss carried forward 1)	--179 467	-98 681	80 786
Total	**-173 415**	**-90 989**	**82 426**

1) Tax carry forward for 2021 has been adjusted due to correction of error.

NOK '000	2022	2021	Change
Deferred tax assets (22%)	38 151	20 017	-18 134
Deferred tax not recognised in the Statement of financial position	38 151	20 017	-18 134
Deferred tax in the Statement of financial position	0	0	0

The majority of the deferred tax asset is related to loss carry forward. As of 31 December 2022, it is considered not likely that the tax loss carry forward will be utilised in the near future, therefore the deferred tax assets is not capitalised. The tax losses carried forward have no expiry date.

NOTE 9 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

NOK '000	Intangible assets - Patents and licenses	Plant and machinery	Moveables	Machinery and plant in progress	Total
Accumulated cost 01.01.2021	**8 456**	**3 017**	**147**		**11 620**
Additions	3 286		227	5 206	8 719
Skattefunn (Tax compensations)				-1 185	-1 185
Accumulated cost 31.12.2021	**11 742**	**3 017**	**374**	**4 021**	**19 154**
Accumulated depreciation 01.01.2021		301	106		407
Depreciation for the year		604			604
Carrying value 31.12.2021	**11 742**	**2 112**	**268**	**4 021**	**18 143**
Economic life	5 years	5-10 years	5 years		
Depreciation method	linear	linear	linear		
Accumulated cost 01.01.2022	**11 742**	**3 017**	**374**	**4 021**	**19 154**
Additions				280	280
From machinery and plant in progress		4 301		-4 301	
Accumulated cost 31.12.2022	**11 742**	**7 318**	**374**	**0**	**19 434**
Accumulated depreciation 01.01.2022		905	106		1 011
Depreciation for the year	2 349	1 249	66		3 664
Carrying value 31.12.2022	**9 393**	**5 164**	**202**	**0**	**14 759**
Economic life	5 years	5-10 years	5 years		
Depreciation method	linear	linear	linear		

The Technology centre at Herøya comprises two containers located close to HQ of HydrogenPro in Porsgrunn. The additions in 2022 corresponds to 0,28 MNOK. The container that HP acquired in 2020 have been subject for 5 years straight line depreciation from 2021. The additions have been subject for 5 years straight line depreciation from 1ht of April 2022. The work to set up the technology centre, have been subject for support from Skattefunn during 2021. The purchase cost is hereby reduced accordingly.

The company has assessed the carrying value of the development cost recognized as intangible assets as of 31.12.2022 and consider it to be intact.

Notes to the Consolidated Financial Statements

NOTE 10 LIST OF SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES

The table below shows ownership in subsidiaries. Ownership interest corresponds to voting interest if not otherwise stated.

Company	Ownership	Registered office	Carrying value NOK 2022	Carrying value NOK 2021
Advanced Surface Plating ApS	100%	Denmark	65 919	65 919
HydrogenPro France	100%	France	50	50
HydrogenPro Inc	100%	United States of America	177	
HydrogenPro Tianjin Co Ltd	75%	China	50 898	
Kvina Energy AS	50%	Norway	51	51
Total			117 095	66 020

Loans to group companies

NOK '000	2022	2021
Advanced Surface Plating ApS	11 379	423
Kvina Energi AS	1 672	500
HydrogenPro France	0	134
Total	13 051	1 057

Other transactions with group companies

NOK '000	Purchase	Interest	Pre-payments
HydrogenPro Tianjin CO Ltd	8 791	0	55 974
Advanced Surface Plating ApS	0	203	0
Kvina Energy AS	0	72	0
Total	8 791	275	55 974

NOTE 11 CONVERTIBLE RECEIVABLE DG FUELS

Balance as of 31.12

NOK '000	2022	2021
Convertible receivable DG Fuels	29 571	26 458

In October 2021 HydrogenPro announced that it will join as a co-investor by financing DG Fuels LLC's ("DG Fuels") sustainable aviation fuel (SAF) project.

The convertible agreement is entered into between HydrogenPro Energy Vault Inc, Black Veatch Corporation and DG Fuels, where DG Fuels is the issuer.

The convertible receivable is recognized in the balance sheet at nominal value less provision for expected losses.

The maturity of the convertible is estimated to 4 years.

HydrogenPro has estimated a fair value of the convertible receivable equal to NOK 52 million.

NOTE 12 OTHER RECEIVABLES

Other long term assets

NOK '000	2022	2021
Receivables from associated companies	4 766	3 710
Long term investment	0	17 934
Total other long term current assets as of 31.12	4 766	21 644

Other current receivable

NOK '000	2022	2021
Pre-paid costs associated companies	55 974	4 558
Other pre-paid cost	3 285	0
VAT net receivables	7 231	1 610
Total other current assets short term as of 31.12	66 490	6 168

Notes to the Consolidated Financial Statements

NOTE 13 INVENTORY

NOK '000	2022	2021
Raw material	13 500	0
Balance as of 31.12	13 500	0

Inventories comprises purchased raw material. Raw materials include parts that become an integrated part of final finished goods. Obsolescence is considered for inventories and as of 31.12.2022 there are no write-downs performed on obsolete goods. Inventories are measured under the weighted-average cost formula.

NOTE 14 ACCOUNTS RECEIVABLES AND CONTRACT ASSETS

Accounts receivables

NOK '000	2022	2021
Receivables related to revenue from contracts with customers - external	19 722	12 586
Receivables, accrued, not invoiced	19 829	456
Total accounts receivables (Gross)	39 551	13 042
Allowance for expected credit losses	1 145	0
Total accounts receivables (Net) as of 31.12	38 406	13 042

NOTE 15 CASH AND CASH EQUIVALENTS

NOK '000	2022	2021
Cash		
Short-term bank deposits	247 632	380 692
Cash and cash equivalents in the balance sheet	247 632	380 692

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

The Group has no credit facilities.

Restricted bank deposit	2 814	1 540

NOTE 16 SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

The 20 main shareholders at 31.12.22 are:

Shareholder	Number of shares	Ownership interest
Richard Espeseth	11 424 125	19.69%
TM Holding AS	9 635 182	16.60%
Clearstream Banking S.A.	6 280 423	10.82%
Mitsubishi heavy Industries Ltd	5 381 165	9.27%
Vivan Espeseth	3 173 571	5.47%
Citibank Europe plc	1 600 000	2.76%
Avanza Bank AB	1 523 731	2.63%
Eneren Invest AS	1 506 966	2.60%
Tor Danielsen	1 373 571	2.37%
Jan Fredrik Garvik	1 337 411	2.30%
DZ Privatbank S.A.	1 322 981	2.28%
VERDIPAPIRFONDET DNB SMB	1 174 894	2.02%
Nordnet Bank AB	872 205	1.50%
VERDIPAPIRFONDET PARETO INVESTMENT	841 000	1.45%
BARCLAYS CAPITAL SEC. LTD FIRM	745 934	1.29%
Nordea Bank Abp	727 783	1.25%
VPF NORGE SELEKTIV	604 914	1.04%
Goldman Sachs & Co. LLC	415 629	0.72%
LJM AS	350 000	0.60%
The Bank of New York Mellon SA/NV	335 335	0.58%
	50 626 820	87.25%
Total other shareholders	7 401 351	12.75%
Total number of shares	58 028 171	100.00%

Notes to the Consolidated Financial Statements

Ordinary shares in 2022 (2021) at NOK 0,0001 per share: 58 021 171

Management and board of directors	Number of shares	Ownership interest
Tarjei Johansen (CEO)		
Martin Thanem Holtet (CFO)		
Richard Espeseth (CBDO)	11 424 125	19.69%
Erik Chr Bolstad (CCO)		
Karoline Aafos (CPO)		
Tormod Kløve (CLO)		
Ellen Hanetho (Chair)		
Jarle Tautra 1)	1 000	0.00%
Jarle Dragvik 2)	7 700	0.01%
Vivian Espeseth	3 173 571	5.47%
Donna Rennemo		

1) Held trough the controlled company Jasmig AS.
2) 7700 shares are held by the controlled company Jardis Invest AS. In addition 9.635.182 shares hold by TM Holding, where Jarle Dragvik is CEO, but does not own any share.

NOTE 17 SHAREHOLDER OPTION PLAN

Option programme

The company has a share option programme covering certain employees in senior positions.

At 2019, employees, board members and guarantors were included in the option programme. Granted options are generally vested or earned during a period of three years according to a predetermined schedule. Options vested or earned can be exercised at usually one year after it is granted and must be exercised latest four years after. The vesting requires continued employment or association with the company.

The purpose of the establishment of the options program is to attract and retain key personnel. The fair value and annual expense/costs of the options are calculated based on the Black- Scholes model and expensed over the vesting period. The annual costs calculated for the option program for 2022 are based on the Black & Scholes formula with input factors as a risk-free interest rate, volatility factor and share price at grant date. The fair value of the individual options at grant date, are then distributed over the vesting schedule agreement.

Social security tax provisions are accrued on a quarterly basis and becomes payable at exercise of the options. The social security tax provisions are estimated based on the gain on the share-based instruments multiplied with the relevant social security tax rate.

The total expense recognised for the share-based programs, excluding social security, during 2021 was NOK 7,4 (18,1) million. The total social security accruals at the end of the year are NOK 1.6 (0,4) million. The total accumulated cost expensed related to share-based payments are NOK 34.2 (26.8) million as of 31 December 2022.

Total costs and Social Security Provisions

NOK '000	2022
Total cost 2022	7 362
Total Social security provisions 2022	7 993

Quantity and weighted average prices

	01.01.2022 - 31.12.2022	
Activity	Number of instruments	Weighted aver. strike price
Outstanding OB (01.01.2022)	5 463 591	13.91
Granted	550 000	31.30
Exercised	0	0.00
Released	0	0.00
Adjusted	0	0.00
Performance Adjusted	0	0.00
Cancelled	-150 000	42.35
Terminated	-565 746	20.97
Expired	0	0.00
Outstanding CB (31.12.2022)	5 297 845	14.15
Vested CB	4 424 701	11.38

Notes to the Consolidated Financial Statements

Granted instruments 2022

Instrument	Option
Quantity 31.12.2022 (instruments)	550 000
Quantity 31.12.2022 (shares) and Board of Directors	550 000
Contractual life *	5.11
Strike price *	31.30
Share price *	31.01
Expected lifetime *	3.57
Volatility *	63.24%
Interest rate *	2.961%
Dividend *	0.00
FV per instrument *	14.96

* Weighted average parameters at grant of instrument

Outstanding Instruments Overview

	Outstanding Instruments			Vested Instruments	
Strike price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2022	Weighted Average Strike Price
7.00	3 284 409	1.25	7.00	3 283 703	7.00
16.80	206 250	2.84	16.80	206 250	16.80
17.24	337 170	2.80	17.24	182 635	17.24
17.66	170 000	2.75	17.66	92 084	17.66
18.78	150 000	2.17	18.78	50 001	18.78
20.65	100 000	2.67	20.65	56 252	20.65
26.15	506 266	2.38	26.15	431 896	26.15
32.45	68 750	2.34	32.45	68 750	32.45
36.00	400 000	5.92	36.00	0	0.00
66.00	75 000	2.09	66.00	53 130	66.00
	5 297 845			4 424 701	

NOTE 18 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

NOK '000	2022	2021
Trade accounts payables	12 698	3 141
Pre-payment from customers	65 691	1 348
Government taxes, tax deductions etc.	6 331	5 071
Other liabilities	15 891	3 901
Total	100 611	13 461

Trade payables are non-interest bearing and are normally settled on 30-day terms. Interest payable is normally settled quarterly.

Statement pursuant to section 5-5 of the Norwegian Securities Trading Act

We hereby confirm that the annual accounts for the Group and the Company for 2022 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company taken as a whole. The Directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the Company, as well as a description of the principal risks and uncertainties facing the Group.

Porsgrunn/Oslo, 30 March 2023

(All signatures electronically signed)

Ellen Merethe Hanetho	Donna Rennemo	Jarle Tautra	Vivian Espeseth	Jarle Dragvik	Tarjei Johansen
Chair of the Board	*Board member*	*Board member*	*Board member*	*Board member*	*CEO*

Auditor's Report

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Independent Auditor's Report

To the Annual Shareholders meeting of Hydrogenpro ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hydrogenpro ASA.

The financial statements comprise:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2022, income statement and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and • The financial statements of the Group, which comprise the balance sheet as at 31 December 2022, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements comply with applicable statutory requirements, • The accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. • The accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU. Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of Hydrogenpro ASA for 5 years from the election by the general meeting of the shareholders on 22 November 2018 for the accounting year 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from sale of customized products and equipment

Description of the key audit matter	**How the key audit matter was addressed in the audit**
The Group derives a significant part of its revenues from sale of customized products and equipment. Such projects involve revenue recognition over time based on measuring the progress towards complete completion of the performance obligation. The assessment of measuring progress requires subjectivity and professional judgement and is therefore subject to uncertainty and potential misstatements. The main risks include management's use of estimates and judgments in relation to progress, including determining the contract's total revenues, expected costs to complete and estimated project margin. We consider this a key audit matter because of the significant amounts and the significant judgement applied.	We assessed the application of accounting policies in line with IFRS 15 and procedures for monitoring and progress reporting internally related to the customized products and equipment sales. We inquired about the status of contracts with management and finance and technical staff and tied estimated revenues and cost to budgets. For new contracts, we tested the estimated revenue against contracts. We have also recalculated the measurement of progress and performed test of details e.g., vouching to invoices and hours incurred on the projects. We refer to the Groups disclosures included in note 1.4 (General accounting policies) and 2.2 in the consolidated financial statements.

Assessment of impairment of goodwill

Description of the key audit matter	**How the key audit matter was addressed in the audit**
The carrying amount of goodwill as at 31 December 2022 was NOK 22 million, approximately 4 % of total assets. The Group performed an impairment test to determine the recoverable amounts. Estimating the recoverable amount of the assets tested for	For the relevant cash generating unit, we evaluated the assumptions based on the development in the market and compared the cash-flow projections in the impairment calculation to budgets.

impairment requires management judgment including estimates of future sales, gross margins, operating expenses, growth rates, capital expenditures and discount rate. Management's annual impairment assessment was a key audit matter because the assessment requires significant judgment and includes estimation uncertainties.	We assessed the budgets and discussed the reality of projected cash flows with existing and future contracts. We evaluated the applied valuation methodology, and we compared the risk premiums in the weighted average cost of capital with external market data. Furthermore, we considered management's adjustments for company specific factors. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis of the assumptions used. We assessed the Group's disclosures included in note 1.4 and 3.1 in the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

Other information

The Board of Directors and the Managing Director (management) are responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on the Board of Director's report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: https://revisorforeningen.no/revisjonsberetninger

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Hydrogenpro ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 549300EW945NUS7PK214-2022-12-31-en (1), have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

BDO AS

Espen Åsulfsen
State Authorised Public Accountant
(This document is signed electronically)

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Espen Åsulfsen
Partner
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IP: 188.95.xxx.xxx
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Appendix

Sustainability factbook

HydrogenPro ASA has reported in accordance with the following standards for the period from 1 January 2022 to 31 December 2022: Global Reporting Initiative (GRI) Standards (2016, core option), Task Force on Climate-related Financial Disclosures (TCFD) and the EU Taxonomy for sustainable activities. All subsidiaries of HydrogenPro ASA are covered by the report.

Key sustainability data

Environment

Energy consumption by source [kWh]	2021	2022
Fuels for transportation		
Motor gasoline		10 634
Indirect energy		
Electricity	34 829	1 548 546
Share renewable	88 %	80 %
Heat	67 185	161 087
Share renewable	79 %	86 %

Materials procured by type [tonnes]	2021	2022
Raw materials		
Steel	-	79.42
Associated processing materials		
Cutting fluid	-	0.50
Chemicals	-	0.02
Lye (KOH)	-	75.78

Water withdrawal [m3]	2021	2022
From municipal water supplies - surface water	23	519
From municipal water supplies - ground water	125	122

Waste disposal [tonnes]	2021	2022
Non-hazardous waste		
Paper/cardboard	0.5	1.5
Plastic	0.05	0.35
Residual waste	-	1.68
Biological/food waste	-	0.32
Glass	0.05	0.73
Steel	0.1	53.08
Packaging (styroform)	-	0.1
100 % of all waste categories are diverted from disposal		
Hazardous waste		
Water-diluted lye	2	26
Mineral oils	-	0.18
Cutting fluids	-	0.56
Handled by specialized waste disposal contractors		

CO_2 emissions [tonnes CO_2e]	2021	2022
Direct emissions (scope 1)	**0.0**	**2.3**
Mobile combustion		2.3
Indirect emissions (scope 2)	**7.2**	**141.3**
Purchased electricity		111.3
Purchased heat		30.0
Indirect emissions from the supply chain (scope 3)	**-**	**5 921.5**
Purchased goods and services		5 628.6
Upstream transport and distribution		279.3
Waste generated in operations		0.7
Business travel		10.3
Upstream leased assets		2.6
Total emissions		**6 065.0**

Sustainability factbook

Social

Employee data

Employees by region and gender	Norway	Denmark	China	Total
Female	10	-	24	34
Male	24	5	80	109
Total	34	5	104	143

Employees by age group and gender	<30 years	30-50 years	>50 years	Total
Female	3	26	5	34
Male	23	69	17	109
Total	26	95	22	143

Employees by age group and level	<30 years	30-50 years	>50 years	Total
Leadership positions	0	6	6	12
Other	26	89	16	131
Total	26	95	22	143

Board of directors by age group and gender	<30 years	30-50 years	>50 years	Total
Female	0	1	2	3
Male	0	0	2	2
Total	0	1	4	5

Employees by gender and level	Female	Male	Total
Leadership positions	2	10	12
Other	32	99	131
Total	34	109	143

Employees by employment type and gender	Full time	Part time	Total
Female	34	0	34
Male	108	1	109
Total	142	1	143

Other social data

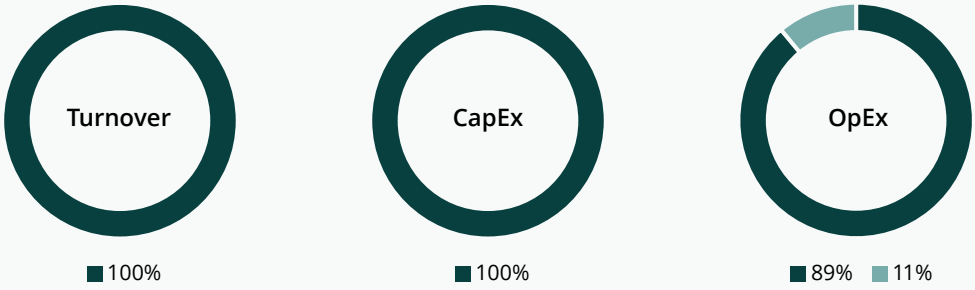
Women-to-men ratio of salary by age group and region	<30 years	30-50 years	>50 years	All age groups
Norway	n/a	1.03	1.82	1.09
Denmark	n/a	n/a	n/a	n/a
China	0.64	1.40	1.15	1.13

Work-related injuries and ill health		Own workers	External workers
Recordable work-related injuries		3	2
High-consequence recordable work-related injuries		0	1
Total hours worked		96 555	n/a
Total recordable injuries (TRI) frequency rate		6.21	n/a
Total high-consequence injuries frequency rate		0	n/a

Average training hours per employee by level and gender	Leadership positions	Other	Total
Female	124.25	43.13	47.90
Male	44.85	14.45	17.24
Total	84.55	28.79	24.53

Sustainability factbook

EU taxonomy eligibility



Please see our voluntary reporting under Article 8 of the EU taxonomy regulation on page 159 in the Sustainability Factbook.

Notes to key sustainability data

Environment
HydrogenPro's environmental key data encompass an operational control perspective (including owned and leased assets) to ensure a complete and precise statement of these figures.

Energy consumption by source
Electricity data from Herøya office in November and December 2022 is estimated based on a monthly average, due to lack of data. The share of renewable electricity is reported based on a location-based method, where data is collected from Electricity Maps the 23rd of March 2023.

Materials procured by type
None of the input materials are from recycled sources. All materials are non-renewable.

CO_2 emissions
Scope 2 Purchased electricity is calculated using a location-based method. Scope 3 includes the daughter company HydrogenPro China.

Social
Employee data
Employee numbers are denoted as headcount

Work-related injuries and ill health
Frequency rates are calculated using a work hour factor of 200 000 hours. For external workers only the number of cases is reported and not frequency rates, as data on hours worked by external workers is not available.

GRI content index

Abbreviations: IR – Integrated Report 2022

Code	GRI disclosure title	References or additional information	Page
GRI 2: General disclosures			
2-1	Organizational details	HydrogenPro ASA	
2-2	Entities included in the organization's sustainability reporting	HydrogenPro ASA and all subsidiaries	
2-3	Reporting period, frequency and contact point	2022, annual, Ida Eilertsen Nygård/ir@hydrogen-pro.com	
2-4	Restatements of information	No information has been restated	
2-5	External assurance	No external assurance	
2-6	Activities, value chain and other business relationships	IR, About HydrogenPro, Efficient technology and scalability	16-19, 29
2-7	Employees	143	
2-8	Workers who are not employees	Sustainability factbook, Key Sustainability Data	143
2-9	Governance structure and composition	IR, Board of Directors report, NUES Corporate Governance, Board of Directors	50, 58, 62
2-10	Nomination and selection of the highest governance body	IR, NUES Corporate Governance Nomination committee mandate and procedure as well as current members can be found here: Corporate Governance - HydrogenPro (hydrogen-pro.com)	67
2-11	Chair of the highest governance body	IR, Board of Directors	62
2-12	Role of the highest governance body in overseeing the management of impacts	IR, Board of Directors Report, NUES Corporate Governance	50, 58-59
2-13	Delegation of responsibility for managing impacts	IR, Board of Directors Report	50
2-14	Role of the highest governance body in sustainability reporting	IR, Material ESG topics, Board of Directors Report, NUES Corporate Governance	20, 50, 58
2-15	Conflicts of interest	IR, NUES Corporate Governance	58

Sustainability factbook

Code	GRI disclosure title	References or additional information	Page
2-16	Communication of critical concerns	IR, A safe and attractive place to work	43
2-17	Collective knowledge of the highest governance body	No measures taken in 2022	
2-18	Evaluation of the performance of the highest governance body	IR, NUES Corporate Governance	60
2-19	Remuneration policies	Remuneration policy for executive personnel can be found here: Corporate Governance - HydrogenPro (hydrogen-pro.com)	
2-20	Process to determine remuneration	IR, NUES Corporate Governance. Remuneration report for 2022 can be found here: Reports and presentations - HydrogenPro (hydrogen-pro.com)	60
2-21	Annual total compensation ratio	Sustainability Factbook, Key Sustainability Data	143
2-22	Statement on sustainable development strategy	IR, Chapter 1-3	1-65
2-23	Policy commitments	IR, Sustainable and local manufacturing and supply chains, A safe and attractive place to work, Ethical business conduct. Code of Conduct, Personnel handbook, Supplier Code of Conduct are not publicly available.	34, 43, 64
2-24	Embedding policy commitments	IR, Sustainable and local manufacturing and supply chains, A safe and attractive place to work, Ethical business conduct	34, 43, 64
2-25	Processes to remediate negative impacts	IR, A safe and attractive place to work, NUES Corporate Governance, Ethical business conduct	43, 59, 64
2-26	Mechanisms for seeking advice and raising concerns	IR, A safe and attractive place to work, NUES Corporate Governance, Ethical business conduct	43, 59, 64
2-27	Compliance with laws and regulations	No significant instances of non-compliance during the reporting period. No monetary fines for instances of non-compliance paid.	
2-28	Membership associations	IR, Stakeholder dialogue, Material ESG topics	18-19

Code	GRI disclosure title	References or additional information	Page
2-29	Approach to stakeholder engagement	IR, Stakeholder dialogue, Material ESG topics	18-21
2-30	Collective bargaining agreements	IR, A safe and attractive place to work	41
GRI 3: Material Topics			
3-1	Process to determine material topics	IR, Stakeholder dialogue, Material ESG topics	18-21
3-2	List of material topics	IR, Stakeholder dialogue, Material ESG topics	20-21
3-3	Management of material topics	IR, Efficient technology and scalability, Sustainable and local manufacturing and supply chains, Innovative product design, A safe and attractive place to work	26-43
GRI 201: Economic Performance			
201-2	Financial implications and other risks and opportunities due to climate change	IR, Material ESG topics, Efficient technology and scalability, Board of Directors report, NUES Corporate Governance. For TCFD Index, see Sustainability Factbook	20-21, 28-29, 49-51, 59 152-153
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	IR, NUES Corporate Governance Report, Ethical business conduct	59, 64
205-2	Communication and training about anti-corruption policies and procedures	IR, NUES Corporate Governance Report, Ethical business conduct	59, 64
205-3	Confirmed incidents of corruption and actions taken	No confirmed incidents of corruption in 2022	
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	Sustainability factbook, Key Sustainability data	140
301-2	Recycled input materials used	None of the input materials are from recycled sources.	
301-3	Reclaimed products and their packaging materials	Not applicable. Will be calculated for 2023.	

Sustainability factbook

Code	GRI disclosure title	References or additional information	Page
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	Sustainability factbook, Key Sustainability data	140
302-2	Energy consumption outside of the organization	Data not available for 2022 report.	
302-3	Energy intensity	Not applicable. Will be calculated for 2023.	
302-4	Reduction of energy consumption	Data not available for 2022 report.	
302-5	Reductions in energy requirements of products and services	IR, CEO Letter, About HydrogenPro, Efficient technology and scalability	10, 16-17, 28
GRI 303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	IR, Efficient technology and scalability, Sustainable and local manufacturing and supply chains	30,32, 35
303-2	Management of water discharge-related impacts	IR, Sustainable and local manufacturing and supply chains	32, 35
303-3	Water withdrawal	Sustainability factbook, Key Sustainability data	140
303-4	Water discharge	Water discharge equals water withdrawal, except neglectable amounts of evaporated water. All wastewater is treated by public treatment facilities.	
303-5	Water consumption	Water management in the manufacturing process is not a prioritised material topic for HydrogenPro, as manufacturing requires minimal water, and regions of operation do not face water scarcity issues.	
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	IR, Sustainable and local manufacturing and supply chains. Sustainability factbook, Key Sustainability data	31-32, 141
305-2	Energy indirect (Scope 2) GHG emissions	IR, Sustainable and local manufacturing and supply chains. Sustainability factbook, Key Sustainability data	31-32, 141

Code	GRI disclosure title	References or additional information	Page
305-3	Other indirect (Scope 3) GHG emissions	IR, Sustainable and local manufacturing and supply chains. Sustainability factbook, Key Sustainability data	31-32, 141
305-4	GHG emissions intensity	Not applicable. Will be calculated in 2023.	
305-5	Reduction of GHG emissions	Data not available for 2022 report, will be collected in 2023. Read about the measures taken in IR, Sustainable and local manufacturing and supply chains.	31-32
305-6	Emissions of ozone-depleting substances (ODS)	No emissions of ozone-depleting substances	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	No significant amounts of other air emissions	
GRI 306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	IR, Sustainable and local manufacturing and supply chains. Sustainability factbook, Key Sustainability data	33 141
306-2	Management of significant waste-related impacts	IR, Sustainable and local manufacturing and supply chains, Innovative product design. Waste data is collected from waste handling contractors.	33, 36-37
306-3	Waste generated	Sustainability factbook, Key Sustainability data	141
306-4	Waste diverted from disposal	Sustainability factbook, Key Sustainability data	141
306-5	Waste directed to disposal	Sustainability factbook, Key Sustainability data	141
GRI 308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	IR, Sustainable and local manufacturing and supply chains	34-35
308-2	Negative environmental impacts in the supply chain and actions taken	IR, Sustainable and local manufacturing and supply chains	34-35

Sustainability factbook

Code	GRI disclosure title	References or additional information	Page
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	IR, A safe and attractive place to work	42
403-2	Hazard identification, risk assessment, and incident investigation	IR, A safe and attractive place to work	42
403-3	Occupational health services	IR, A safe and attractive place to work No established occupational health service in Denmark and China	39
403-4	Worker participation, consultation, and communication on occupational health and safety	IR, A safe and attractive place to work	39-40, 42-43
403-5	Worker training on occupational health and safety	IR, A safe and attractive place to work	42
403-6	Promotion of worker health	IR, A safe and attractive place to work No established occupational health service in Denmark and China	39
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	IR, Sustainable and local manufacturing and supply chains	34-35
403-8	Workers covered by an occupational health and safety management system	All employees and workers who are not employees in Norway and China are covered by an occupational health and safety management system. Operations in Denmark does not have an occupational health and safety management system.	
403-9	Work-related injuries	Sustainability factbook, Key Sustainability data	143
403-10	Work-related ill health	Sustainability factbook, Key Sustainability data	143
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	IR, A safe and attractive place to work Sustainability factbook, Key Sustainability data	42, 143
404-2	Programs for upgrading employee skills and transition assistance programs	IR, A safe and attractive place to work	42
404-3	Percentage of employees receiving regular performance and career development reviews	No routine in place in 2022. New routine developed and piloted in Norway Q4 2023	

Code	GRI disclosure title	References or additional information	Page
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	IR, A safe and attractive place to work Sustainability factbook, Key Sustainability data	41, 142-143
405-2	Ratio of basic salary and remuneration of women to men	IR, A safe and attractive place to work Sustainability factbook, Key Sustainability data	41, 142-143
GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	IR, Sustainable and local manufacturing and supply chains	34-35
414-2	Negative social impacts in the supply chain and actions taken	IR, Sustainable and local manufacturing and supply chains	34-35

TCFD Index

Corporate Governance

Disclose the organisation's governance around climate-related risks and opportunities.

TCFD Recommended Disclosures	References
Describe the board's oversight of climate-related risks and opportunities	IR, Material ESG topics, page 21
	IR, Board of Directors report, page 51
	IR, NUES Corporate Governance report, page 59
Describe management's role in assessing and managing climate-related risks and opportunities	IR, Material ESG topics, page 21
	IR, Board of Directors report, page 51
	IR, CFO message, page 27

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

TCFD Recommended Disclosures	References
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	IR, Board of Directors report, page 51
	IR, Efficient technology and scalability, page 29
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	IR, Material ESG topics, page 21
	IR, About HydrogenPro, page 16-17
	IR, Board of Directors report, page 51
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	IR, Material ESG topics, page 21
	IR, Board of Directors report, page 51

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

TCFD Recommended Disclosures	References
Describe the organisation's processes for identifying and assessing climate-related risks.	IR, Material ESG topics, page 21
	IR, CFO message, page 27
	IR, Board of Directors report, page 51
	IR, NUES Corporate Governance report, page 59
Describe the organisation's processes for managing climate-related risks.	IR, CFO message, page 27
	IR, Board of Directors report, page 51
	IR, NUES Corporate Governance report, page 59
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	IR, Board of Directors report, page 51
	IR, NUES Corporate Governance report, page 59

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

TCFD Recommended Disclosures	References
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	IR, Sustainability targets, page 22
	IR, Efficient technology and scalability, page 29
	IR, Sustainability Factbook, page 141
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	IR, Sustainability Factbook, page 141
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	IR, Sustainability targets, page 22
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	IR, Material ESG topics, page 21
	IR, Board of Directors report, page 51

GHG accounts

Introduction

This report provides a detailed inventory of the company's emission sources and associated greenhouse gas emissions for the period 1. Jan 2022 - 31. Dec 2022. The emissions are quantified according to the Greenhouse Gas (GHG) Protocol, which is the most widely used and recognized standard for corporate carbon footprint accounting. The company's activities and transactions are calculated into tonnes of CO 2- equivalents using emission factors from vetted sources.

A greenhouse gas inventory allows companies to identify emission hot-spots in their operations and in their value chain, and consequently to initiate measures to mitigate their contribution to climate change. This annual report allows the company to measure their emissions over time and thereby manage their progress.

This report comprises all company emissions. HydrogenPro ASA has chosen the Operational Approach when calculating their inventory.

Annual Greenhouse Gas Emissions

Emission source	Emissions (tCO_2e)	Percent of total
Mobile combustion	2.3	0.0%
Purchased Gases	14.0	0.2%
Scope 1 Total	**16.3**	**0.3%**
Purchased electricity [1]	111.3	1.8%
Purchased heat	30.0	0.5%
Scope 2 Total	**141.3**	**2.3%**
Purchased good and services	5 614.7	92.6%
Fuel and energy related emissions	0.0	0.0%
Upstream transport and distribution	279.3	4.6%
Waste generated in operations	0.7	0.0%
Business travel	10.3	0.2%
Upstream leased assets	2.6	0.0%
Scope 3 Total	**5 907.5**	**97.4%**
Scope 1, 2 and 3 Total	**6 065.0**	**100%**

1 Electricity is calculated using location-based method. Read more about location-based and market-based method under Methods in this report.

Annual market-based method emissions

Emission source	Emissions (tCO_2e)	Percent of total
Electricity market-based method[1]	383.9	6.1%
Scope 2 market-based method total	388.9	6.2%
Scope 1, 2 and 3 Total market-based method	6 312.6	100%

1 Electricity is calculated using . Read more about location-based and market-based method under methods in this report.

Description of Annual Inventory

Scope 1 & 2
The inventory includes all material emission sources in Scope 1 & 2. 91,1% of our emissions in Scope 1 & 2 is calculated based on bottom-up activity data, while 8,9% is calculated based on top-down transaction data (read more about types of data in the Methodology chapter of this report).

We did not have any biogenic emissions during the reporting period.

Scope 3
For the reporting period we have been able to include the following categories: Mobile combustion, Purchased Gases, Purchased electricity, Purchased heat, Purchased good and services, Fuel and energy related emissions, Upstream transport and distribution, Waste generated in operations, Business travel, Upstream leased asset. We will continue to improve and expand our Scope 3 inventory to include all material categories in the near future.

0,1% of our emissions in Scope 3 is calculated based on bottom-up activity data, while 99,9% is calculated based on top-down transaction data (read more about types of data in the Methodology chapter of this report).

0,3% of emissions in Scope 1	14,2% in Scope 1 is activity based	85,8% in Scope 1 is spend based
2,3% of emissions in Scope 2	100,0% in Scope 2 is activity based	0,0% in Scope 2 is spend based
97,4% of emissions in Scope 3	0,1% in Scope 3 is activity based	99,9% in Scope 3 is spend based

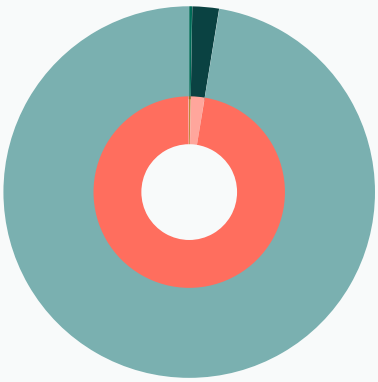


Figure 1: Data foundation

- Scope 1
- Scope 2
- Scope 3
- Activity based
- Spend based

Sustainability factbook

Details of Inventory

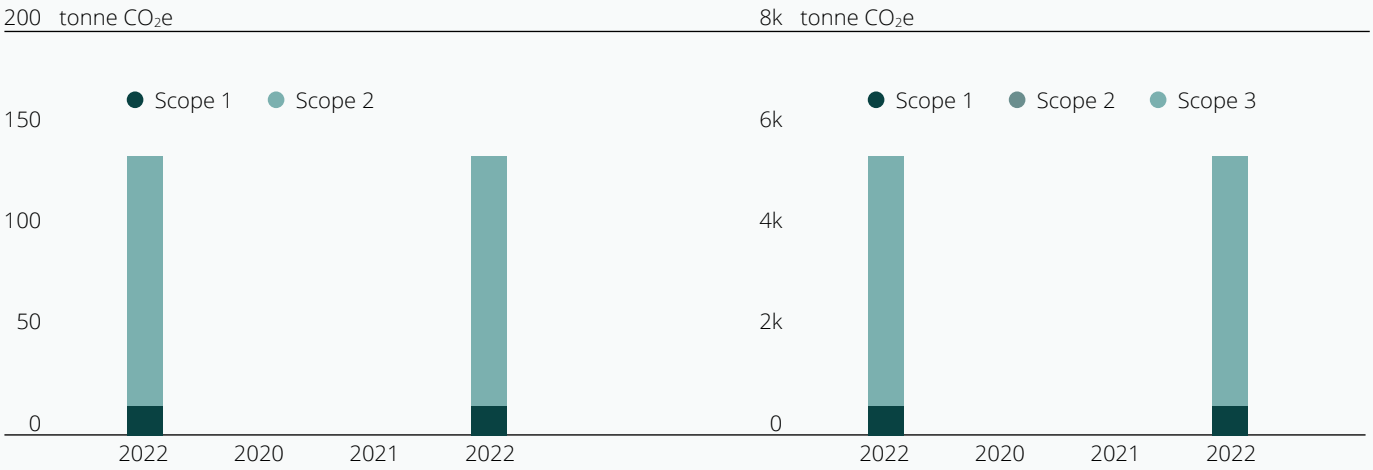


Figure 2: All scopes emissions per year (tCO_2e), Location-Based Method

Annual Greenhouse Gas Emissions

Emission source	Base year 2022	2020	2021	2022	% change from last year	% change from base year
Mobile combustion	2.3	0	0	2.3		0.0%
Purchased Gases	14.0	0	0	14.0		0.0%
Scope 1 total	**16.3**	**0**	**0**	**16.3**		**0.0%**
Purchased electricity	111.3	0	0	111.3		0.0%
Purchased heat	30.0	0	0	30.0		0.0%
Scope 2 total	**141.3**	**0**	**0**	**141.3**		**0.0%**
Purchased good and services	5 614.7	0	1 200.3	5 614.7	367.8%	0.0%
Fuel and energy related emissions	0.0	0	0	0.0		0.0%
Upstream transport and distribution	279.3	0	1.4	279.3	756.5%	0.0%
Waste generated in operations	0.7	0	0.3	0.7	124.8%	0.0%
Business travel	10.3	0	0	10.3		0.0%
Upstream leased assets	2.6	0	0	2.6		0.0%
Scope 3 total	**5 907.5**	**0**	**1 202.0**	**5 907.5**	**391.5%**	**0.0%**

Marked-Based Method Emissions Development

Emission source	Base year 2022	2020	2021	2022	% change from last year	% change from base year
Electricity market-based method	383.9	0	0	383.9		0.0%
Scope 2 market-based method total	388.9	0	0	388.9		0.0%
Scope 1, 2 and 3 total market-based method	6 312.6	0	1 202.0	6 312.6	425.2%	0.0%

Methodology & Sources

This Greenhouse Gas Inventory is prepared in accordance with the Greenhouse Gas Protocol (GHG Protocol) Corporate Accounting and Reporting Standard, and its related updates and guidelines. The GHG Protocol is a partnership between the World Resource Institute (WRI) and the World Business for Sustainable Development (WBCSD) that provides standards, guidance, tools and training for business and government to measure and manage climate-warming emissions.

The standard covers the accounting and reporting of the seven greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), and sulphur hexafluoride (SF_6). The emissions of each GHG (CO_2, CH_4, N_2O, etc.) are calculated separately and then converted to CO_2 equivalents on the basis of their global warming potential.

The inventory is based on the [operational control] approach. The GHG Protocol differentiates between two approaches for consolidating the inventory: the equity share approach and the control approach. The control approach can be defined as operational control or financial control.

In line with the GHG Protocol, the inventory divides greenhouse gas emissions, calculated into CO_2 equivalents, into three scopes, where Scope 1 & 2 are deemed mandatory by the Protocol, while Scope 3 is encouraged but voluntary.

Scope 1: Direct GHG emissions from sources that are owned or controlled by the company. These sources are categorized in four groups: mobile combustion (e.g. company-owned vehicles), stationary combustion (e.g. furnace heating of facilities), process emissions (e.g. emissions from chemical production), and fugitive emissions (e.g. leakage of refrigerants).

Direct CO_2 emissions from the combustion of biomass, also called biogenic emissions, shall not be included in Scope 1 but should be reported separately.

Scope 2: Indirect GHG emissions from the generation of purchased electricity consumed by the company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated. The Protocol mandates that Scope 2 emissions must be reported in two ways: with location-based method and market-based method.

Location-based method reflects the average emissions intensity of grids on which energy consumption occurs, which is usually a mix between renewable and non-renewable energy sources. It derives emission factors mostly from grid-averages for defined geographic locations, including local, subnational, or national boundaries.

Market-based method reflects emissions from electricity that companies have purposefully chosen (or not chosen). It derives emission factors from contractual instruments, such as Guarantees of Origin (GoOs), Renewable Energy Certificates (RECs) and Power Purchase Agreements (PPAs). If the company has purchased such contractual instruments, the market-based emissions will reflect this, whereas if such instruments are not purchased, the market-based emissions will reflect the residual emissions of the unclaimed electricity mix (often referred to as the "residual mix"), which tends to be much higher than the location-based emission factors.

Scope 3: Other indirect GHG emissions that occur upstream and downstream of the company's activities. These emissions occur as a consequence of the activities of the company, but stem from sources not owned or controlled by the company. Scope 3 emissions are divided into 15 categories (see diagram below).

The input data used to calculate emissions in the three scopes can either be primary data in the form of activity data that the company retrieves itself or supplier-specific activity data that is retrieved from suppliers, or it can be secondary data in the form of averages for similar activities or transaction data retrieved through accounting systems. The GHG Protocol prefers activity data to be used for calculating emissions in Scope 1 & 2, as activity data will allow for a more granular analysis that will enable decision- making. However, activity data is hard to come by for Scope 3, which leads to incomplete inventories. Thus, average and transaction-based data can be used to populate the inventory.

In addition to allowing for input of activity data, our tool enables the calculation of transaction-based emissions using an environmentally-extended multi-regional input-output model (EE-MRIO) which estimates emissions resulting from the production and upstream supply chain activities of different sectors and products based on their geographical location. EEIO models are derived by allocating direct sectoral GHG emissions and relate these to the output level in the sector (sectoral intensities or sectoral Scope 1 emissions). All sectoral intensities are further interlinked with material and service input and output relations of all sectors in the world (66 individual economies + ROW group). By combining this model with company business data, we provide estimated cradle-to-gate GHG emissions, and these are particularly useful when screening emission hot-spots in a global value-chain perspective.

This dual approach - a bottom-up activity-based approach combined with a top-down transaction-based approach - allows companies to harness the combined strength of accuracy and completeness in their GHG inventory, thereby maximizing their ability to use the inventory for strategic decision-making in planning their decarbonization. Our SaaS platform always ensures that the GHG emissions are captured either with activity data or by the transaction-based method, double counting will not occur.

Voluntary reporting under Article 8 of the EU taxonomy regulation

The Taxonomy is a classification system created by the European Union (EU) that determines which economic activities are to be considered environmentally sustainable for investment purposes. In Norway, the EU Taxonomy is incorporated into Norwegian law through the Act on Disclosure of Sustainability-related Information in the Financial Sector that entered into force 1 January 2023. HydrogenPro is not required to report in accordance with the EU Taxonomy, as we do not qualify for the Non-Financial Reporting Directive's definition of a large company of public interest. However, we acknowledge that this information is of interest to many of our stakeholders and have chosen to do a preliminary voluntary reporting of our taxonomy eligible activities for 2022. We will continue to follow best practice with respect to ESG reporting while waiting for harmonized disclosure rules for all non-financial companies. We welcome the Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards coming into effect for accounting year 2024.

HydrogenPro has identified two economic activities described in the EU Taxonomy Climate Delegated Act that are of relevance for our company. Most of our business activities are taxonomy eligible under the activity 3.2 Manufacturing of equipment for hydrogen production, while we have a small portion of R&D and engineering studies that meet the description stated in activity 9.1 Close to market research, development, and innovation. We have identified the part of our turnover, capital expenditures (CapEx) and operational expenditures (OpEx) that are taxonomy eligible for the accounting year of 2022.

- **Turnover**: All our turnover is taxonomy eligible. Our revenue is derived from either sale of electrolyser systems which qualifies under activity 3.2, or revenue from sale of front-end engineering and design (FEED) and case studies, covered by activity 9.1.

- **CAPEX**: All investments made in 2022 are related to activity 3.2 Manufacturing of hydrogen and is thus taxonomy eligible.

- **OPEX**: We have included costs related to manufacturing of hydrogen equipment as eligible. This includes, among other things, personnel expenses and maintenance material. In addition, we have included non-capitalised costs related to research and development, which are eligible under 9.1. We have excluded costs that are not directly linked to the economic activities described above, such as costs related to our uplisting to Oslo Børs main market and consultancy fees following the implementation of a new ERP-system. This results in a total of 89% of our OPEX being taxonomy eligible. We do acknowledge that there is no common standardised way of determining how to calculate the OPEX KPI. We will monitor how the reporting requirements evolve going forward.

Further down the line, we will start to assess what part of our activities that are taxonomy aligned. This is particularly interesting for activity 3.2, which covers the majority of our business. To meet the technical screening criteria set out for taxonomy aligned activities under 3.2 Manufacturing of hydrogen equipment, the equipment manufactured must produce hydrogen in accordance with the requirements set out in activity 3.10 Production of hydrogen. Activity 3.10 states that for hydrogen production to be taxonomy aligned, life cycle GHG emissions must be lower than $3tCO_2e/tH_2$, equaling a life cycle GHG emission saving of 73,4%. We expect that our equipment meets the current technical screening criteria for life-cycle emissions posted in 3.10 Production of hydrogen, as our high-pressure alkaline electrolysers run on renewable energy. We will take further steps to assess and include the "do no significant harm" and "minimum social safeguard" criteria in our taxonomy reporting for the accounting year 2023.

Other – Changes in material topics

We conducted our first materiality assessment in 2021. Several of the topics identified as material then are continued also in the materiality assessment we did in 2022. Some topics have been considered less material this year, either due to HydrogenPro's impact on the topic, or the topics impact on HydrogenPro. In addition, this year's materiality assessment has included a broader selection of stakeholders, some representing other views.

Material topics continued from 2021, now grouped in the following categories:

- Efficient technology and scalability:
  - Technology development and efficiency
  - Scale-up possibilities
- Sustainable and local manufacturing and supply chains:
  - Value chain
  - Management of hazardous material
- A safe and attractive workplace
  - Occupational health and safety
  - Knowledge and expertise

The following topics are discontinued:

- Financial performance
- Corporate governance, ethical business conduct and compliance
- Change in regulatory framework for hydrogen production/usage
- Energy management

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