Quarterly report
Q1 2023

Hydrogen pro

Contents

About HydrogenPro

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.

The team consists of highly skilled and experienced employees, including key personnel with leading global hydrogen expertise. Our headquarters and test facility are located at Herøya, Norway. 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 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.

Technology Leader

Global Footprint

Scalability

Life Cycle Partner

Highlights

Q1 2023 Highlights

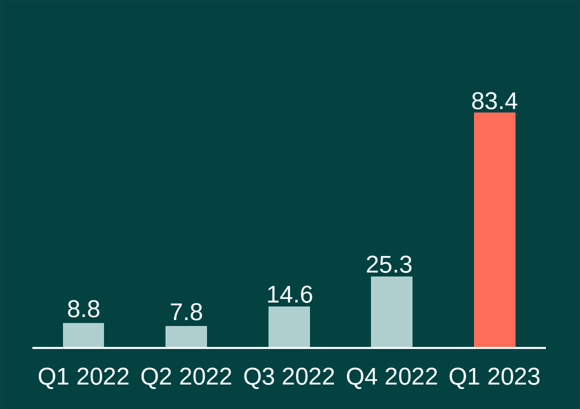
- **Revenues of NOK 83 million – up 230% vs. Q4 2022**
- **Announced plans to establish 500 MW manufacturing facility in Texas, US**
  - » Estimated total investment of USD 30-50 million
  - » Brownfield site
  - » Build-up of US organisation ongoing
- **Published Integrated report, including ESG reporting and complete 2022 annual accounts**
  - » Second year reporting in accordance with General Reporting Initiative ("GRI")

Sub-sequent events

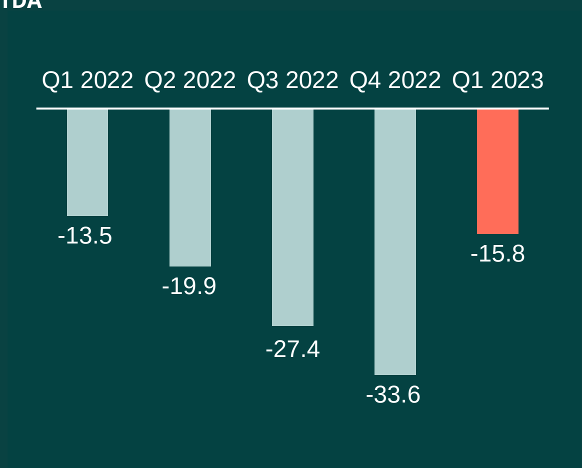
- **Announced strategic partnership with ANDRITZ for assembly and manufacturing in Europe**
  - » Building a leading position in the green hydrogen industry in Europe
- **Increasing manufacturing capacity in China from 300 to 500 MW**
  - » Identified bottlenecks and lane optimsation
  - » Minor investments (~MNOK5)

Financials

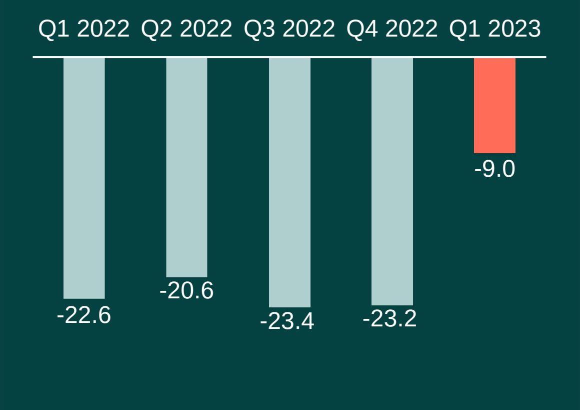
REVENUE
MNOK



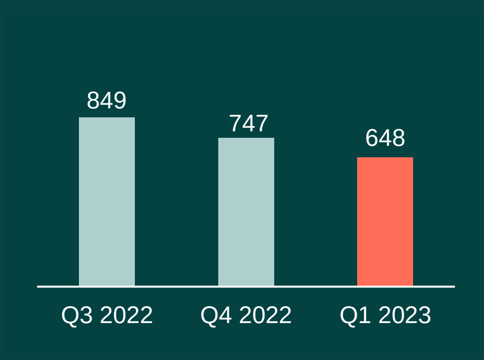
ADJ. EBITDA
MNOK



NET PROFIT
MNOK



BACKLOG
MNOK



Q1 2023 Summary

Developments during the quarter

Market development

HydrogenPro has seen a continuation of the high activity level from last quarter, now with an increasingly larger size (MW) per project. HydrogenPro's partnership with Andritz on 19 April reflects the outlining of a possibly bigger trend emerging, where OEMs increasingly establish partnerships, or alliances, with established EPCs in order to compete on the aforementioned increasingly larger projects.

As projects are becoming larger, the complexity and number of suppliers increases on each project. This trend can also affect the amount front-end design engineering (FEED) studies requested, as this reflects the number of suppliers chosen. It also means that bidders potentially are increasingly expected to offer an "open" solution, i.e., not bound to a specific control system.

On FEED studies in general there has been an uptick in the number of requests, which historically has been a positive sign of a project maturing and being close to a final investment decision. This is because FEED studies are an expense that is billed and entails that also the project owner must dedicate resources.

An additional consequence of the increased size and complexity of projects is that the final investment decision, and by that, the supplier selection process, is prolonged.

Apart from FEED studies, the amount of overall projects continue to outpace available funding and offtakers. An announcement of a project does not guarantee a final investment decision. It has therefore become imperative to properly prioritize projects based on expected viability.

Published Integrated Report 2022

On 31 March 2023, HydrogenPro published its Integrated Report 2022, including ESG reporting and full annual accounts. This was the second year the company reported in accordance with GRI. The report also included a sustainability factbook, with a voluntary reporting in accordance with Article 8 of the EU Taxonomy regulation.

Announced plans to establish 500 MW manufacturing facility in Texas, US

On 20 March 2023, HydrogenPro announced it will establish a 500 MW brownfield manufacturing site in Texas, US. The estimated investment cost is USD 30 million (minimum scope) up to USD 50 million (which includes an advanced electrode manufacturing facility representing a technology game changer in the HydrogenPro solution offering).

Subsequent events

Announced strategic partnership with EPC-supplier ANDRITZ for assembly and manufacturing in Europe

On 19 April 2023, HydrogenPro announced a strategic partnership with ANDRITZ to collaborate on scaling up manufacturing and assembly of electrolysers for the European market. The collaboration will bring together HydrogenPro's expertise in high-pressure alkaline electrolyser (AEL) technology with ANDRITZ's competence in manufacturing and assembly.

Increasing manufacturing capacity in Tianjin, China from 300 to 500 MW

Through a de-bottlenecking and lane optimization exercise at the facility in Tianjin, China, HydrogenPro will increase the manufacturing output by 200 MW. A minor investment cost of ~5 MNOK is required.

Outlook

The Company aims to take a leading global position in the electrolyser industry and is currently building a global presence. Through the announced partnership with Andritz in Europe the aim is to take a leading position based on the strong synergies between the companies. Coupled with the announced 500 MW expansion in Texas, US and the expansion from 300 MW to 500 MW in Tianjin, China the Company is well underway to build a well-diversified global manufacturing and assembly set-up.

With regards to the Advanced Clean Energy Storage ("ACES") project, HydrogenPro plans to complete the manufacturing of the electrolyser systems in 2023, and plan to recognize ~90% of the total project revenues of the >50 USD mill. contract by the end of 2023 - with a healthy project margin.

The outlook for the Company's services continues to strengthen. This is manifested through an increasing number of opportunities and projects within the green hydrogen space. Clients continue to mature projects and financing and move steadily towards final investment decision and thus contract awards.

HydrogenPro is attractively positioned in this market with its mature and well proven alkaline high-pressure technology, in combination with its energy efficient electrode technology.

Financials

Income statement

NOK million	Q1 2023	Q4 2022	Q1 2022	2022
Revenue from contracts with customers	**83.4**	**25.3**	**8.8**	**56.4**
Cost of goods sold	70.9	21.5	3.3	44.4
Gross profit/(loss)*	12.5	3.8	5.5	12.0
Personnel expenses	14.6	18.5	9.1	52.4
Other operating expenses	13.8	18.9	9.9	53.9
Adj. EBITDA (excl. non-cash operating expenses)	-15.8	-33.6	-13.5	-94.3
Non-cash cost of incentive programs/payrolls	1.3	-1.2	4.3	10.3
Non-cash accruals/provisions		-0.2	0.5	0.7
EBITDA	-17.1	-32.2	-18.2	-105.3
Depreciation and amortization expenses	5.0	5.4	2.5	14.0
EBIT	-22.1	-37.7	-20.7	-119.3
Net financial income and expenses	13.2	13.5	-0.9	29.3
Profit/(loss) before income tax	-9.0	-24.2	-21.6	-89.9
Income tax expense	0.0	-1.0	1.0	-0.1
Profit/(loss)	-9.0	-23.2	-22.6	-89.8

HydrogenPro generated revenues of NOK 83.4 million during first quarter 2023, which is 230% higher vs. fourth quarter 2022 revenues of NOK 28.3 million, and 848% higher vs. first quarter 2022 revenues of NOK 8.8 million. The significant increase in revenues during the quarter are mainly from the progress on the delivery on the ACES project (220 MW). A further revenue breakdown is available in note 3.

Cost of goods sold include all project-related costs, e.g. raw materials, engineering, manhours, manufacturing costs and components delivered by sub-suppliers. Cost of goods sold during the quarter amounts to NOK 70.9 million vs. NOK 21.5 million in fourth quarter 2022 (NOK 3.3 million in first quarter 2022).

*) Gross profit of NOK 12.5 million vs. NOK 3.8 million in fourth quarter 2022 (NOK 5.5 million in first quarter 2022.). Further, the financials in the first quarter 2023 are impacted by R&D expenses of NOK 6.1 million (mainly categorized as Cost of Goods Sold) related to the validation program of the world's largest electrolyser at Herøya, Norway. Excluding these R&D expenses, the gross margin would equal 22.9% vs. the 15.0% reported gross margin during first quarter 2023, i.e. 7.9%-points higher.

Personnel expenses amounted to NOK 14.6 million during first quarter 2023, down from NOK 18.5 million in fourth quarter 2022 (NOK 9.1 million in first quarter 2022). The reduction is mainly due to an allocation of project-related personnel expenses to cost of goods sold in the first quarter 2023, in line with revenue and cost recognition on purchase orders in accordance with the percentage of completion principle.

Other operating expenses amounted to NOK 13.8 million in first quarter 2023 vs. NOK 18.9 million in fourth quarter 2022 (NOK 9.9 million in first quarter 2022). The reduction is mainly due to allocation of indirect costs to cost of goods sold in first quarter 2023 and costs related to the up-listing to the main market on Oslo Stock Exhange and implementation of a new ERP system expensed in the fourth quarter in 2022.

The increase in gross profit in combination with lower personnel expenses and other operating expenses resulted in an improved adjusted EBITDA during the quarter. An adjusted EBITDA of NOK –15.8 million in the quarter vs. NOK -33.6 million in fourth quarter 2022 (NOK -13,5 million in first quarter 2022).

The reported EBITDA was NOK -17.1 million during first quarter 2023 vs. NOK -32.2 million during fourth quarter 2022 (NOK -18.2 million in first quarter 2022).

The EBIT amounted to NOK -22.1 million vs. NOK -37.7 million in the fourth quarter 2022 (NOK -20.7 million in first quarter 2022).

NOK 5.0 million in depreciation & amortization expenses vs. NOK 5.4 million in fourth quarter 2022 (NOK 2.5 million in first quarter 2022).

Net profit (after tax) for the quarter ended at NOK -9.0 million vs. a net profit of NOK -23.2 million in fourth quarter 2022 (NOK-22.6 million in first quarter 2022).

The order backlog amounted to NOK 648 million as of 31 March 2023 vs. NOK 747 million as of 31 December 2022.

Net financial items

NOK million	Q1 2023	Q4 2022	Q1 2022	2022
Interest income	1.1	1.5	0.5	3.4
Net foreign exchange	12.1	-9.8	-1.4	4.2
Other	-0.1	21.9	0.0	21.7
Net financial items	13.2	13.6	-0.9	29.3

Net financial items in the first quarter amounted to NOK 13.2 million vs NOK 13.6 million in fourth quarter 2022 (NOK -0.9 million in first quarter 2022). The change is mainly due to an increase in unrealized foreign exchange gain.

Balance sheet

NOK million	31 Mar 2023	31 Dec 2022
Assets		
Intangible assets	62.8	64.4
Plant, machinery and equipment	67.5	55.5
Financial fixed assets	77.0	74.5
Total fixed assets	207.2	194.5
Current operating assets	107.7	121.7
Cash and cash equivalents	208.0	257.0
Total current assets	315.7	378.7
Total Assets	522.9	573.2
Equity and liabilities		
Total equity	427.7	437.8
Total long-terms liabilities	12.2	11.3
Total short-term liabilities	83.0	124.0
Total liabilities	95.2	135.3
Total equity and liabilities	522.9	573.2

Total assets as of 31 March 2023 amounted to NOK 522.9 million. Total current assets amounted to NOK 315.7 million, whereof NOK 208.0 million in cash and deposits and NOK 107.7 million in other current assets. Total fixed assets amounted to NOK 207.2 million, whereof NOK 62.8 million in intangible assets, NOK 67.5 million in plant, machinery, and equipment and NOK 77.0 million in financial fixed assets.

The reduction in short-term liabilities amounts to NOK 41.0 million in the first quarter of 2023. The reduction is primarily due to change in contract liabilities because of revenue recognition.

Total equity amounted to NOK 427.7 million and total liabilities of NOK 95.2 million, whereof 83.0 million in short-term liabilities and NOK 12.2 million in long-term liabilities. The book equity ratio as of 31 March 2023 was 81.8% compared to 76.4 % on 31 December 2022.

Cash flow

NOK million	Q1 2023	Q4 2022	Q1 2022	2022
Cash balance start of period	257.0	342.8	382.3	382.3
Net cash flow from operating activities	-42.5	-73.7	-10.8	-69.4
Net cash flow from investing activities	-5.5	-9.2	-2.5	-51.9
Net cash flow from financing activities	-1.0	-2.9	-0.4	-4.0
Total changes in cash	-49.1	-85.8	-13.7	-125.2
Cash balance end of period	208.0	257.0	368.7	257.0

Net change in cash position during the first quarter 2023 was NOK -49.1 million compared to NOK -85.8 million in the fourth quarter 2022 (NOK –13.7 million in first quarter 2022).

Net cash flow from operating activities was NOK -42.5 million compared to NOK -73.7 million in fourth quarter 2022 (NOK -10.8 million in first quarter 2022).

During the first quarter 2023 net cash flow from investing activities was NOK -5.5 million vs NOK -9.2 million in fourth quarter 2022 (NOK -2.5 million in first quarter 2022).

Net cash flow from financing activities was NOK -1.0 million compared to NOK -2.9 million in fourth quarter 2022 (NOK -0.4 million in first quarter 2022).

Financial statements

Consolidated statement of comprehensive income

NOK '000	Notes	Q1 2023	Q4 2022	Q1 2022	2022
Operating income and operating expenses					
Revenue from contracts with customers	3	83 425	25 281	8 787	56 414
Total revenue		83 425	25 281	8 787	56 414
Cost of goods sold		70 926	21 514	3 293	44 372
Personnel expenses		15 835	17 365	13 339	62 768
Depreciation and amortization expenses	4, 5	4 982	5 444	2 509	13 990
Other operating expenses		13 793	18 614	10 419	54 527
Operating profit/(loss)		- 22 111	- 37 656	- 20 773	- 119 242
Fair value adjustment for financial instruments	6		22 485		22 485
Financial income		14 340	- 506	1 912	17 874
Financial expenses		1 188	8 524	2 807	11 016
Net financial income and expenses		13 152	13 455	- 895	29 342
Profit/(loss) before income tax		- 8 959	- 24 201	-21 668	- 89 900
Income tax expense			- 1 038	975	- 80
Profit/(loss) for the year		- 8 959	- 23 163	- 22 643	- 89 819
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange difference on translation of foreign operations		- 2 939	- 767	- 289	- 415
Net Other comprehensive income		- 2 939	-767	- 289	-415
Total comprehensive profit/(loss) for the year		-11 898	- 23 930	- 22 932	- 90 234
Total comprehensive profit (loss) for the year attributable to:					
Equity holders of the parent company		- 11 666	- 21 186		- 85 303
Non-controlling interest		- 232	- 2 744		- 4 931
Earnings per share (in NOK)					
Basic and diluted earnings per ordinary share 1)		-0.15	-0.40	-0.39	-1.50

1) Based on average 58.03 million shares outstanding for the purpose of earnings per share.

Consolidated balance sheet

NOK '000	Note	31 Mar 23	31 Dec 2023
Assets			
Intangible assets	4	62 794	64 415
Property, plant and equipment	5	67 498	55 537
Right of use assets	5	16 874	17 625
Financial assets	6	55 330	52 056
Other receivables		4 750	4 819
Total non-current assets		207 246	194 453
Current assets			
Inventories	7	30 654	35 762
Trade receivables		8 385	18 585
Contract assets		29 502	19 828
Other receivables		39 178	47 513
Cash and bank deposits		207 956	257 022
Total current assets		315 675	378 710
Total assets		522 921	573 164
Equity			
Share capital		1 161	1 161
Share premium account		575 039	575 039
Other equity contributed		35 961	34 162
Other equity		- 185 645	- 176 919
Currency translation difference		- 3 527	- 588
Total other equity		422 988	432 855
Non-controlling interest		4 731	4 963
Total equity		427 719	437 818
Non-current lease liabilities		12 221	11 332
Total non-current liabilities		12 221	11 332
Current lease liabilities		4 445	5 124
Trade creditors		31 891	20 578
Contract liabilities		0	65 691
Public duties payable		7 946	10 797
Other short-term liabilities		38 699	21 824
Total Current liabilities		82 981	124 014
Total liabilities		95 202	135 346
Total equity and liabilities		522 921	573 164

Cash flow statements

NOK '000	Notes	Q1 2023	Q4 2022	Q1 2022	2022
Cash flows from operating activities					
Net Income / (Loss) before tax		-8 959	-24 201	-21 668	-89 899
Depreciation and amortization expense		4 982	5 444	2 509	13 990
Option cost no cash effect		1 798	-1 239	2 907	8 592
Fair value adjustment for financial instruments	6		-22 485		-22 485
Change in accounts receivable		526	-16 620	5 499	-25 371
Change in inventory		5 108	-28 457	14	-35 455
Change in accounts payable		-54 378	15 180	1 096	17 222
Effect of foreign currency translation		-11 445	3 579	-423	-183
Change in other accruals		19 864	-4 938	-703	64 230
Net cash flows from operating activities		-42 503	-73 737	-10 769	-69 359
Cash flows from investing activities					
Change in tangible assets	5	-5 524	-1 281	-2 251	-14 701
Change in intangible assets	4		0		
Acquisition of subsidiary, net of cash acquired			-9 540		-32 454
Change in other investing activities			1 632	-209	-4 716
Net cash flows from investing activities		-5 524	-9 190	-2 460	-51 871
Cash flows from financing activities					
Payment of lease liabilities		-1 039	-4 061	-367	-5175
Prepayment of loans to assosiate			1 172		1 172
Net cash flows from financing activities		-1 039	-2 889	-367	-4 003
Cash balance start of period		257 022	342 838	382 256	382 255
Net change in cash		-49 066	-85 816	-13 596	-125 233
Cash balance end of period		207 956	257 022	368 660	257 022

Statement of changes in equity

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 01 Jan 2022	58	576 142	26 800	336	-92 081	511 254		511 254
Total comprehensive income				-289	-22 642	-22 931		-22 931
Issue of share capital								
Cost of share-based payment			2 788			2 788		2 788
Equity 31 Mar 2022	58	576 142	29 588	47	-114 723	491 111		491 111
Equity 01 Jan 2023	1 161	575 039	34 162	-588	-176 918	432 855	4 963	437 818
Total comprehensive income				-2 939	-8 727	-11 666	-232	-11 898
Issue of share capital								
Cost of share-based payment			1 798			1 798		1 798
Equity 31 Mar 2023	1 161	575 039	35 960	-3 527	-185 645	422 987	4 731	427 718

Notes to the financial statements

Note 1 – Organisation and basis for preparation

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.

The Company was established in 2013 by individuals with background from the electrolysis industry which was established in Telemark, Norway by Norsk Hydro in 1927. HydrogenPro comprises an experienced engineering team of leading industry experts, drawing upon unparalleled experience and expertise within the hydrogen and renewable sectors. By combining in-depth knowledge with innovative design, the company continuously aspire to pioneer game-changing ideas and solutions to realise and maximise new opportunities in a smarter, sustainable, hydrogen powered future. HydrogenPro designs and supplies customized hydrogen technology & systems, all ISO 9001, ISO 45001 and ISO 14001 certified. The core product is the alkaline high-pressure electrolyser.

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

Basis for preparation

The quarterly statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). The accounting policies applied in the preparation of the quarterly financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022. The quarterly financial information does not include all information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

The consolidated financial statements have been prepared on a historical cost basis except when otherwise is stated.

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 has Norwegian krone ("NOK") as its functional currency, and Advanced Surface Plating ApS and HydrogenPro Tianjin respectively have DKK and CNY as their 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.

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 differ 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
- Estimating fair value for share-based payments transactions
- Impairment of goodwill and intangible assets
- Fair value valuation financial assets

Refer to the annual report of 2022 for more details related to key judgement and estimations.

Note 2 – Subsequent events

No events have occurred after the balance sheet date with significant impact on the interim financial statement for the first quarter or the year 2023.

Note 3 – Revenue from contracts with customers

Geographical region

NOK '000	Q1 2023	Q4 2022	Q1 2022	2022
Geographical region				
Norway	874	2 596	998	4 885
Europe	110	-225	110	-13
America	77 546	14 354	7 320	41 370
Asia Pacific	4 794	8 556	359	10 172
Total revenue	83 324	25 281	8 787	56 414

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.

1. **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.
2. **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.

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 is either in combination with sale of electrolyser systems or as a separate service as in FEED studies. All contracts recognised in the 1st quarter are assessed to be customised and recognised over time.

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.

NOK '000	Q1 2023	Q4 2022	Q1 2022	2022
Revenue recognized over time	82 674	25 943	8 380	56 051
Revenue recognized at point of time	650	-662	407	363
Total revenue	83 324	25 281	8 787	56 414

NOK '000	Q1 2023	Q4 2022	Q1 2022	2022
Revenue from sale of electrolyser system	82 450	22 886	7 682	51 521
Revenue from sale of FEED and case-studies	874	2395	1 105	4893
Total revenue	83 324	25 281	8 787	56 414

Note 4 – Intangible assets

NOK '000	Technology	Patent and licenses	Goodwill	Total
Purchase cost 01 Jan 2023	41 366	11 742	21 935	75 043
Additions				
Impairment				
Disposals				
Purchase cost 31 Mar 2023	41 366	11 742	21 935	75 043
Accumulated depreciation 01.01.2021	8 279	2 348		10 627
Depreciation year to date 2022	1 035	587		1 622
Net book value 31 Mar 2023	32 052	8 807	21 935	62 794
Economic life	5 years	5 -10 years		
Depreciation method	linear	linear		

Intangible assets that have been acquired separately are carried at cost. The costs of intangible assets acquired through an acquisition are recognised at their fair value in the Group's opening balance sheet. Capitalised intangible assets are recognized at cost less any amortisation and impairment losses.

Intangible assets with a definite economic life are amortised over their economic life and tested for impairment if there are any indications. The amortisation method and period are assessed at least once a year.

On 9th of June 2022 HydrogenPro completed the acquisition of 75 per cent of the shares of HydrogenPro Tianjin CO Ltd. 75 per cent of goodwill arising on acquisition are recognized under intangible asset.

Note 5 – Property, plant, equipment and right-of-use asset

NOK '000	Plant and machinery	Movables	Machinery and plant in progress	Right-of-use assets	Total
Purchase cost 01 Jan 2023	55 503	4 686	597	21 405	60 786
Additions	10 381	146			10 527
From Machinery and plant in progress	636		-636		0
Disposals					0
Exchange differences	3 276	226	39	1 086	3 541
Purchase cost 31 Mar 2023	69 796	5 058	0	22 491	74 854
Accumulated depreciation 01 Jan 2023	4 618	630		3 780	5 248
Depreciation year to date 2023	1 691	187		1 484	1 878
Exchange differences	206	24		353	230
Net book value 31 Mar 2023	63 281	4 217	0	16 874	67 498
Economic life	5-10 years	5-10 years			
Depreciation method	linear	linear			

Tangible assets are valued at their cost less accumulated depreciation and impairment losses. 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.

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 used the definition of a lease in IFRS 16.

As a result of these assessments, the Group considered as of 1 January 2022 leasing for vehicles and the rental contract for office space at Herøya as a leasing according to IFRS 16. In the fourth quarter 2022, the rental contracts for offices and production facilities in Denmark and China was included.

Note 6 – Fair value financial assets

The table below analyses financial assets recognised in the balance sheet at fair value according to the valuation method. The different levels have been defined as follows:

- **Level 1:** Noted prices in active markets for corresponding assets or liabilities.
- **Level 2:** Available value measurements other than the noted prices classified as Level 1, ether directly observable in the form of agreed prices or indirectly as derived from the price of equivalent.
- **Level 3:** Value measurements of assets or liabilities that are not based on observed market values.

NOK ‘000	31 Mar 2023	31 Dec 2022
Fair value measurement categorized as level 3		
Conversion note 01 Jan	52 056	26 458
Unrealised change in value for the period recognized in the income statement		22 485
Translation effect	3 274	3 113
Balance as of 31 Mar 2023	55 330	52 056

The convertible loan agreement is entered into between HydrogenPro, Energy Vault Inc, Black & Veatch Corporation and DG Fuels, where DG Fuels is the issuer. The initial closing date was 29 October 2021, and HydrogenPro’s contribution was NOK 25 087’ (3 million USD). The fair value valuation of the conversion note is done by the Company in connection with external advisor.

During the period 1 January – 31 March 2023, no events have occurred in DG Fuels, for example offtake agreement or financing, which could have a significant effect on the fair value measurement of the convertible note.

Note 7 – Inventory

Inventories comprises purchased raw material and work in progress. Raw material includes parts that become an integrated part of finished goods. Obsolescence is considered for inventories and as of 31.12.2022 and 31.3.2023 there are no write-downs performed on obsolete goods.

NOK '000	31 Mar 2023	31 Dec 2022
Inventory		
Work in progress	2 452	2 861
Raw material	28 202	32 901
Carrying amount	30 654	35 762

Note 8 – Overview of Group companies

			Ownership interest			Voting power		
Company	Country	Main operations	31 Mar 2023	31 Des 2022	31 Mar 2022	31 Mar 2023	31 Dec 2022	31 Mar 2022
Advanced Surface Plating ApS	Denmark	Technology industries	100 %	100 %	100 %	100 %	100 %	100 %
HydrogenPro Tianjin CO Ltd	China	Technology industries	75 %	75 %		75 %	75 %	
HydrogenPro Shanghai CO Ltd	China	Technology industries	100 %	100 %		100 %		
Kvina Energy AS	Norway	Technology industries	50 %	50 %	50 %	50 %	50 %	50 %
HydrogenPro France*	France	Technology industries	100 %	100 %	100 %	100 %	100 %	100 %
HydrogenPro Inc*	United States of America	Technology industries	100 %	100 %	100 %	100 %	100 %	100 %

* The company is excluded from the consolidation as this is a company without significant assets or operating assets that provides services to the group that would have been consolidated.
that would have been consolidated.

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, amortization and impairment, corresponding to operating profit/(loss) plus depreciation, amortization and impairment.
- **Adjusted EBITDA** excludes special items, e.g., non-cash impact of incentive program and other accruals/provisions, to better present the underlying performance in the reported period.
- **Net investments** are 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 recognized in business combinations for continuing operations.
- **Order Intake** is defined as a firm purchase order with agreed price, volume, timing, term and conditions entered within av given period. The order intake includes both contracts and change order. For service contracts and contracts 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 orders with agreed price, volume, timing, terms and conditions and where revenue is yet to be recognized. The backlog includes both contracts and change order. For service contracts and contracts with uncertain transaction price, the backlog is based on estimated revenue. The measure does not include potential change order.

Porsgrunn/Oslo, 8 May 2023
The Board of Directors

(Electronically signed)
Ellen M. Hanetho
Chair of the Board

(Electronically signed)
Vivian Espeseth
Board member

(Electronically signed)
Jarle Tautra
Board member

(Electronically signed)
Jarle Dragvik
Board member

(Electronically signed)
Donna Rennemo
Board member

(Electronically signed)
Tarjei Johansen
CEO

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