



Hydrogen pro

# Quarterly Report

Q3 2022

HydrogenPro ASA

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# HydrogenPro

## About

### Technology Leader



### Global Footprint



### Scalability



### Life Cycle Partner



HydrogenPro 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 plant in a Total Cost of Operation perspective.

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

The demand for green hydrogen is accelerating all over the world, and we are aiming to become the #1 large-scale hydrogen production systems player. While most analysts predict that the cost of hydrogen will be reduced to USD 1.5/kg in 2030, HydrogenPro can deliver hydrogen at about 1.2 USD/kg already in 2022 with the new technology (at an electricity cost of USD 20/MWh).

## Q3 Highlights

- Revenues of NOK 14.6 million – up by 87% vs. Q2 2022.
- Backlog of 849 million and active sales pipeline of 17 GW.
- Long-term testing of electrodes on-going. Results in line with expectations, and show significant improvement.
- Delta Airlines agreed an Offtake Agreement with HydrogenPro's partner, DG Fuels.
- Funding granted for several new R&D projects in both Denmark and Norway.
- Applied for admission to trading on Oslo Børs.
- Tianjin manufacturing facility further upgraded.

## Subsequent events

- Trading on Oslo Børs from 3rd of October 2022.
- Air France-KLM has signed an Offtake Agreement with our partner, DG Fuels.
- HydrogenPro has established new offices in Boston, Massachusetts.
- The validation of the world's largest electrolyser expected to be commissioned on 9<sup>th</sup> of November 2022, and the electrolyser is producing gas.

# Highlights

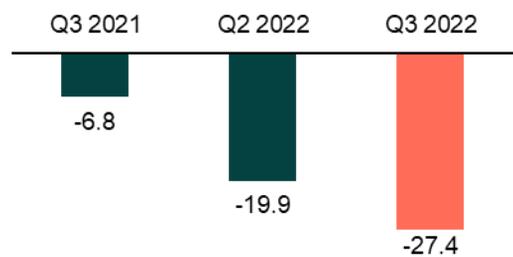
## Financials

### Hydrogen pro

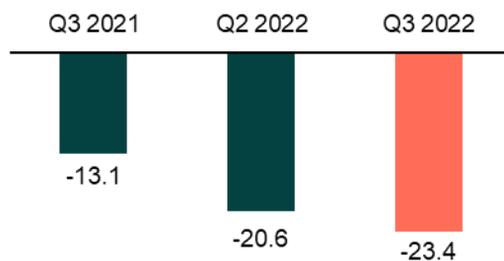
Revenue  
MNOK



Adj. EBITDA  
MNOK



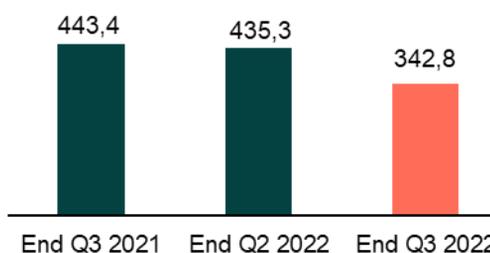
Net profit  
MNOK



Net investments  
MNOK



Cash and cash equivalents  
MNOK



# Q3 2022 Summary

## Developments during the quarter

### Market development

During Q3 we have seen an increasingly growth in the size of new projects and at the same time a maturing of the projects in the active part of the pipeline, bringing us in to a more specific discussion with clients about both commercial conditions and potential arrangements for slot reservations.

The consensus about more projects approaching an FID do result in a more restraint market for available electrolyser capacity, where clients are increasingly concerned about the potential availability on equipment meeting their demand.

The IRA act (US) has positively accelerated both the project development as well as the commercially readiness of several large projects, where we expect to see several large-scale orders materializing in the US during the next quarters. We expect this situation to also influence on several European projects since they are also competing the same capacity for electrolysers, hence several projects are expected to be sanctioned during next 2 quarters.

More distant markets as India, North Africa/Middle East and Australia are also ramping their ambitions, especially based on the expectations to green ammonia as a future energy carrier.

### Submission of application to Oslo Børs

On 17th of August 2022 HydrogenPro submitted its application to trading on Oslo Børs by transfer of its current admission to trading on Euronext Growth operated by Oslo Børs.

### Conversion to public limited liability company, change of company name and amendment to the share capital registered

On 12<sup>th</sup> of September 2022 an extraordinary annual general meeting was held. The resolutions made by the general meeting, inter alia amendments to the Company's articles of association, including the conversion of the Company into a public limited liability company, change of company name and amendment to the share capital as a result of the bonus issue are registered with the Norwegian Register of Business Enterprises. The new name of the Company is HydrogenPro ASA. The Company's new share capital is NOK 1.160.563,42, divided by 58 028 171 shares, each with a nominal value of NOK 0,02.

### Continued verification tests of electrode technology

The initial electrolyser tests at our technology centre show efficiency in line with simulated results of 14%. Continued long-term verification tests are being conducted to collect sufficient performance data.

# Q3 2022 Summary

## **Delta Airlines signing Offtake Agreement with DG Fuels**

During Q3, Delta Airlines signed an Offtake Agreement with HydrogenPro's partner, DG Fuels. The agreement is estimated to make up more than one third of the total volume of the capacity at DG Fuels' Louisiana facility. The high-pressure alkaline water electrolyser installation will be at least 839 MW.

## **Tianjin manufacturing facility approaching full-scale capacity**

HydrogenPro's manufacturing facility in Tianjin, China is approaching full-scale capacity. During the quarter, the factory was upgraded with new production equipment and other investments of NOK 17.0 million during third quarter 2022.

## **Subsequent events**

### **First trading date on the main list on Oslo Stock Exchange**

On 3<sup>rd</sup> of October 2022 HydrogenPro ASA had its first day of trading on the main list of Oslo Børs, following an uplisting from Euronext Growth Oslo. The company's shares trade under the ticker "HYPRO" on Oslo Børs.

### **Air France-KLM has signed an Offtake Agreement with our partner, DG Fuels**

Air France-KLM signed an Offtake Agreement with DG Fuels, making 90% of the capacity of the production plant in Louisiana filled. This project has a value of >USD 500m for HydrogenPro.

### **Validation of the world's largest electrolyser**

Production, installation at Herøya and commissioning expected to be completed on 9<sup>th</sup> of November 2022. Power supply to the electrolyser is turned on and we are now producing gas. Testing will run to year end 2022 and final details will be reviewed.

# Q3 2022 Summary

## Outlook

The outlook for the Company's services continues to strengthen backed by an ever-increasing focus on the need for a green energy transition. 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. The Company expects to also see a strong demand for its early phase and front-end engineering studies.

HydrogenPro expect to deliver close to 90% of the scope within the awarded purchase order, announced on 4<sup>th</sup> of April 2022, with Mitsubishi Power by the end of 2023, and will start recognizing revenue from fourth quarter 2022.

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

# Financials

## Income statement

N OK million	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Revenue, incl. other operating income	14.6	8.2	31.1	9.0	20.0
Raw materials and consumables used	11.5	6.5	22.9	7.3	11.6
Payroll expenses	16.1	3.9	33.9	7.6	17.9
Other operating expenses	14.4	4.6	35.2	13.3	27.2
<b>Adj. EBITDA (excl. non-cash operating expenses)</b>	<b>-27.4</b>	<b>-6.8</b>	<b>-60.8</b>	<b>-19.3</b>	<b>-36.7</b>
Non-cash cost of incentive programs/payrolls	1.5	3.5	11.5	11.5	15.0
Non-cash accruals/provisions	0.1	2.2	0.7	3.6	3.6
<b>EBITDA</b>	<b>-29.1</b>	<b>-12.5</b>	<b>-73.0</b>	<b>-34.4</b>	<b>-55.2</b>
Depreciation and amortization expenses	3.3	1.1	8.5	3.3	5.2
<b>EBIT</b>	<b>-32.3</b>	<b>-13.6</b>	<b>-81.6</b>	<b>-37.7</b>	<b>-60.5</b>
Net financial items	8.9	0.4	15.9	0.3	3.1
Result before tax	-23.4	-13.2	-65.7	-37.4	-57.4
Tax expense	-	-0.1	1.0	-0.5	-1.0
<b>Net profit</b>	<b>-23.4</b>	<b>-13.1</b>	<b>-66.7</b>	<b>-36.9</b>	<b>-56.4</b>

HydrogenPro generated revenues of NOK 14.6 million during third quarter 2022 compared to NOK 8.2 million in third quarter 2021. Revenues are recognized according to the percentage of completion principle. Revenues in the quarter mainly relates to the delivery of the Purchase Order signed with Mitsubishi on 24<sup>th</sup> of August 2021, for the delivery of world's largest single stack high-pressure alkaline electrolyser system.

The order backlog amounts to NOK 849 million as of 30<sup>th</sup> of September 2022 vs. NOK 794 million as of 30<sup>th</sup> of June 2022 (NOK 33 million as of 31<sup>st</sup> of December 2021). The increase of NOK 55 million in the third quarter 2022 is due to an order intake of NOK 3 million, currency exchange fluctuations of NOK 66 million and recognized revenues of NOK 14 million.

Adjusted EBITDA (excl. option-based compensation cost of NOK 1.6 million and other payroll expenses of NOK -0.1, which has a non-cash effect) of NOK -27.4 million during the third quarter 2022 and NOK -6.8 million during the third quarter 2021.

Reported EBITDA during the quarter was -29.1 million vs. NOK -12.5 million in third quarter 2021 with an operating loss of NOK 32.3 million vs. NOK 13.6 million in the third quarter 2021.

Operating expenses: NOK 11.5 million in raw materials and consumables used vs NOK 6.5 million in third quarter 2021, NOK 17.6 million in total (incl. non-cash impact) reported payroll expenses vs NOK 7.4 million in third quarter 2021 and NOK 14.5 million in other operating expenses vs NOK 6.8 million in third quarter 2021, and NOK 3.3 million in depreciation & amortization expenses vs NOK 1.1 million in third quarter 2021.

# Financials

## Income statement

### Net financial items

NOK million	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Interest income	0.8		1.9	-	2.1
Net foreign exchange gain/ -expenses	8.2	0,5	12.1	0.8	2.3
Other finance income/ -expenses	-0.1	-0,1	-0,3	-0.5	-1.3
<b>Net financial items</b>	<b>8.9</b>	<b>0.4</b>	<b>15.9</b>	<b>-0.5</b>	<b>3.1</b>

Net financial items in the third quarter amounted to NOK 8.9 million vs NOK 0.4 million in third quarter 2021. The change is mainly due to an increase in unrealized foreign exchange gain.

Net profit (after tax) for the quarter ended at NOK -23.4 million vs. a net profit of NOK -13.1 million in third quarter 2021.

# Financials

## Balance sheet

NOK million	30.09.2022	30.06.2022	31.03.2022	31.12.2021
<b>Assets</b>				
Total intangible assets	66.0	67.7	47.3	49.0
Plant, machinery and equipment	48.2	47.5	22.6	22.6
Financial fixed assets	40.1	37.4	53.3	53.3
<b>Total fixed assets</b>	<b>154.4</b>	<b>152.6</b>	<b>123.9</b>	<b>124.9</b>
Current operating assets	83.7	15.0	13.9	20.9
Cash and cash equivalents	342.8	435.3	368.7	382.3
<b>Total current assets</b>	<b>426.5</b>	<b>450.2</b>	<b>382.6</b>	<b>403.2</b>
<b>Total Assets</b>	<b>580.9</b>	<b>602.8</b>	<b>506.4</b>	<b>528.1</b>
<b>Equity and liabilities</b>				
<b>Total equity</b>	<b>461.6</b>	<b>485.6</b>	<b>491.1</b>	<b>511.3</b>
Total long-terms liabilities	1.4	2.5	1.4	1.4
Total short-term liabilities	117.9	114.8	14.0	15.5
<b>Total liabilities</b>	<b>119.3</b>	<b>117.2</b>	<b>15.3</b>	<b>16.8</b>
<b>Total equity and liabilities</b>	<b>580.9</b>	<b>602.8</b>	<b>506.4</b>	<b>528.1</b>

Total assets as of 30<sup>th</sup> of September 2022 amounted to NOK 580.9 million. Total current assets amounted to NOK 426.5 million, whereof NOK 342.8 million in cash and deposits and NOK 83.7 million in other current assets. Total fixed assets amounted to NOK 154.4 million, whereof NOK 66.0 million in intangible assets, NOK 48.2 million in plant, machinery, and equipment and NOK 40.1 million in financial fixed assets.

The increase in short-term liabilities amounts to NOK 102.5 million from year-end 2021 to the end of third quarter 2022. The increase is primarily due to a prepayment from Mitsubishi, that is to be recognized as revenue depending on performance obligations in 2022 and 2023. In addition, the change is due to an increase in public duties payable and other short-term liabilities in subsidiary.

Total equity amounted to NOK 461.6 million and total liabilities of NOK 119.3 million, whereof 117.9 million in short-terms liabilities and NOK 1.4 million in long-term liabilities. The book equity ratio as of 30<sup>th</sup> of September 2022 was 79.5% compared to 96.8% at 31<sup>st</sup> of December 2021.

# Financials

## Cash flow

NOK million	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Cash balance start of period	453.3	471.2	382.3	471.2	506.1
Net cash flow from operating activities	-71.9	-21.6	4.3	-35.1	-47.6
Net cash flow from investing activities	-20.2	-6.2	-42.7	-27.8	-78.1
Net cash flow from financing activities	-0,4	-0.0	-1.1	0,1	1.8
<b>Total changes in cash</b>	<b>-92.5</b>	<b>-27.8</b>	<b>-39.5</b>	<b>-62.8</b>	<b>-123.9</b>
Cash balance end of period	342.8	443.4	342.8	443.4	382.3

Net decrease in cash position during the third quarter was NOK 92.5 million compared to a decrease of NOK 27.8 million in the third quarter 2021.

Net cash flow from operating activities was NOK -71.9 million compared to NOK -21.6 million in third quarter 2021.

During the third quarter net cash flow from investing activities was NOK -20.2 million vs NOK -6.2 million in third quarter 2021.

Net cash flow from financing activities was NOK -0.4 million compared to NOK 0.0 million in third quarter 2021.

# Financial statements

# Consolidated statement of comprehensive income

NOK '000	Note	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
<b>Operating income and operating expenses</b>						
Revenue from contracts with customers	3	14 572	8 239	31 133	8 971	20 036
<b>Total revenue</b>		<b>14 572</b>	<b>8 239</b>	<b>31 133</b>	<b>8 971</b>	<b>20 036</b>
Cost of goods sold		11 493	6 497	22 858	7 328	11 632
Personnel expenses		17 617	7 435	45 403	19 180	32 878
Depreciation and amortization expense	4,5	3 254	1 093	8 546	3 279	5 215
Other operating expenses		14 534	6 778	35 913	16 877	30 772
<b>Operating profit/(loss)</b>		<b>-32 326</b>	<b>-13 564</b>	<b>-81 587</b>	<b>-37 694</b>	<b>-60 461</b>
Financial income		9 185	522	18 380	875	4 374
Financial expenses		268	126	2 492	556	1 321
<b>Net financial income and expenses</b>		<b>8 917</b>	<b>395</b>	<b>15 888</b>	<b>319</b>	<b>3 053</b>
<b>Profit/(loss) before income tax</b>		<b>-23 409</b>	<b>-13 169</b>	<b>-65 699</b>	<b>-37 375</b>	<b>-57 407</b>
Income tax expense		-18	-106	957	-470	-975
<b>Profit/(loss) for the year</b>		<b>-23 391</b>	<b>-13 063</b>	<b>-66 656</b>	<b>-36 905</b>	<b>-56 432</b>
<b>Other comprehensive income:</b>						
<i>Items that may be reclassified to profit or loss:</i>						
Exchange difference on translation of foreign operations		-724		1 182		336
Net Other comprehensive income		-724		1 182		336
<b>Total comprehensive profit/(loss) for the year</b>		<b>-24 115</b>	<b>-13 063</b>	<b>-65 474</b>	<b>-36 905</b>	<b>-56 096</b>
<b>Total comprehensive profit (loss) for the year attributable to:</b>						
<b>Equity holders of the parent company</b>		<b>-22 109</b>	<b>-13 063</b>	<b>-63 287</b>	<b>-36 905</b>	<b>-56 096</b>
<b>Non-controlling interest</b>		<b>- 2 007</b>		<b>-2 187</b>		
<b>Earnings per share (in NOK)</b>						
Basic and diluted earnings per ordinary share <sup>1)</sup>		-0,38	-0,23	-1.09	-0,41	-0,98

1) Based on average 58.03 million shares outstanding for the purpose of earnings per share in 2022, and average 57,60 million shares outstanding in 2021.

# Consolidated balance sheet

NOK '000	Note	30.09.2022	31.12.2021
<b>Assets</b>			
Intangible assets	4,6	66 036	48 970
Property, plant, and equipment	5,6	48 244	22 637
Right of use assets		1 811	2 975
Non-current tax asset			975
Investments in associated companies		278	101
Loan to associated companies		1 186	634
Other receivables		36 798	48 597
<b>Total non-current assets</b>		<b>154 353</b>	<b>124 890</b>
<b>Current assets</b>			
Inventories		7 305	308
Trade receivables		21 794	13 042
Other receivables		54 585	7 594
Cash and bank deposits		342 792	382 255
<b>Total current assets</b>		<b>426 476</b>	<b>403 199</b>
<b>Total assets</b>		<b>580 828</b>	<b>528 089</b>
<b>Equity</b>			
Share capital		1 161	58
Share premium account		575 039	576 141
Other equity contributed		35 421	26 800
Other equity		-156 550	-92 081
Translation reserves		-1 356	336
<b>Total other equity</b>		<b>453 715</b>	<b>511 255</b>
Non-controlling interest	6	7 838	
<b>Total equity</b>		<b>461 553</b>	<b>511 255</b>
<b>Interest-bearing debt</b>			
Deferred tax		1 038	
Non-current lease liabilities		371	1 365
<b>Total non-current liabilities</b>		<b>1 409</b>	<b>1 365</b>
<b>Current lease liabilities</b>			
Current lease liabilities		1 490	1 610
Trade creditors		5 332	3 290
Public duties payable		19 320	5 071
Other short-term liabilities		91 724	5 497
<b>Total current liabilities</b>		<b>117 867</b>	<b>15 468</b>
<b>Total liabilities</b>		<b>119 276</b>	<b>16 833</b>
<b>Total equity and liabilities</b>		<b>580 828</b>	<b>528 089</b>

# Cash flow statements

NOK '000	Note	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
<b>Cash flows from operating activities</b>						
Net Income / (Loss) before tax		-23 409	-13 169	-65 699	-36 905	-57 407
Depreciation and amortization expense		3 254	1 093	8 546	3 279	5 215
Option cost no cash effect		1 787	5 706	9 831	15 109	18 533
Change in accounts receivable		-13 792	-8 204	-8 751	-6 059	-9 859
Change in inventory		-6 992		-6 997		
Change in accounts payable		2 168	-2 914	2 043	-5 035	-3 894
Write-down shares					7	7
Effect of foreign currency translation		-361	81	-3 762	94	337
Change in other accruals		-35 283	-4 155	69 122	-5 630	-548
<b>Net cash flows from operating activities</b>		<b>-71 905</b>	<b>-21 562</b>	<b>4 332</b>	<b>-35 141</b>	<b>-47 617</b>
<b>Cash flows from investing activities</b>						
Change in tangible assets	5	-9 631	-5 166	-13 420	-14 337	-20 793
Change in intangible assets	4		-1 116		-5 748	-8 079
Acquisition of subsidiary, net of cash acquired	6	-8 607		-22 914		-17 934
Change in other investing activities		-2 511	63	-6 347	-7 676	-31 244
<b>Net cash flows from investing activities</b>		<b>-20 210</b>	<b>-6 220</b>	<b>-42 682</b>	<b>-27 761</b>	<b>-78 050</b>
<b>Cash flows from financing activities</b>						
Payment of lease liabilities		-375	-39	-1 114	-116	
Proceeds from Equity Issue					259	1 812
<b>Net cash flows from financing activities</b>		<b>-375</b>	<b>-39</b>	<b>-1 114</b>	<b>143</b>	<b>1 812</b>
Cash balance start of period		435 282	471 174	382 256	506 111	506 111
Net change in cash		-92 490	-27 821	-39 464	-62 758	-123 855
<b>Cash balance end of period</b>		<b>342 792</b>	<b>443 353</b>	<b>342 792</b>	<b>443 353</b>	<b>382 255</b>

# Statement of changes in equity

NOK '000	Share capital	Share premium reserve	Other paid-in capital	Other component of equity	Uncovered loss	Total other equity	Not controlling interest	Total equity
<b>Equity as at 01.01 2021:</b>	57	542 170	9 098		-35 648	515 677		516 677
Net loss					-36 905	-36 905		-36 905
Cost of share-based payment			13 881			13 881		13 881
Issue of share capital	1	32 418				32 419		32 419
<b>Equity as at 30.9.2021</b>	<b>58</b>	<b>574 588</b>	<b>22 979</b>		<b>-72 553</b>	<b>525 072</b>		<b>525 072</b>
<b>Equity as at 01.01 2022</b>	<b>58</b>	<b>576 141</b>	<b>26 800</b>	<b>337</b>	<b>-92 080</b>	<b>511 256</b>		<b>511 256</b>
Net loss					-64 469	-64 469	-2 187	-66 656
Currency translation differences				-1 182		-1 182		-1 182
Bonus share issue	1 102	-1 102						
Cost of share-based payment			8 621			8 621		8 621
Non controlling interest by acquisition				-510		-510	10 205	9 516
<b>Equity as at 30.09.2022</b>	<b>1 160</b>	<b>575 039</b>	<b>35 421</b>	<b>-1 356</b>	<b>-156 550</b>	<b>453 715</b>	<b>7 838</b>	<b>461 553</b>

# 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 aspires to pioneer game-changing ideas and solutions to realize and maximize new opportunities in a smarter, sustainable, hydrogen powered future. HydrogenPro designs and supplies customized hydrogen plants in cooperation with global partners and suppliers, 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 2021. 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 December 31, 2021, 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

Refer to the annual report of 2021 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 third quarter and the three first quarters of 2022.

On 3<sup>rd</sup> of October 2022 HydrogenPro ASA had its first day of trading on the main list of Oslo Børs, following an uplisting from Euronext Growth Oslo. The company's shares trade under the ticker "HYPRO" on Oslo Børs.

## Note 3 – Revenue from contracts with customers and segments

### Geographical region

NOK '000	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
<b>Geographical region</b>					
Norway	1 119		2 289		0
Europe	100	73	212	804	906
America	13 408	8 167	27 016	8 167	16 204
Asia Pacific	944		1 616		2 926
<b>Total revenue</b>	<b>14 572</b>	<b>8 240</b>	<b>31 133</b>	<b>8 971</b>	<b>20 036</b>

The information above is based on the location of the 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.

- 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.

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. All contracts recognised in the 3<sup>rd</sup> 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	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Revenue recognized over time	13 955	8 240	30 108	8 971	20 019
Revenue recognized at point of time	616		1 025		17
<b>Total revenue</b>	<b>14 572</b>	<b>8 240</b>	<b>31 133</b>	<b>8 971</b>	<b>20 036</b>

NOK '000	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Revenue form sale of electrolyser system	13 352	8 240	28 635	8 971	19 676
Revenue from sale of FEED and case-studies	1 219		2 498		360
<b>Total revenue</b>	<b>14 572</b>	<b>8 240</b>	<b>31 133</b>	<b>8 971</b>	<b>20 036</b>

## Note 4 – Intangible assets

NOK '000	Technology	Patent and licenses	Goodwill	2022 Total
<b>Purchase cost 01.01.2022</b>	<b>41 366</b>	<b>11 742</b>		<b>53 107</b>
Acquisition of subsidiary			21 935	21 935
Impairment				
Disposals				
<b>Purchase cost 31.06.2022</b>	<b>41 366</b>	<b>11 742</b>	<b>21 935</b>	<b>75 043</b>
Accumulated depreciation 01.01.2021	4 143	-		4 143
Depreciation year to date 2022	3 102	1 761		4 863
<b>Net book value 31.06.2022</b>	<b>34 121</b>	<b>9 980</b>	<b>21 935</b>	<b>66 036</b>
Economic life	5 years	5 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 recognized at their fair value in the Group's opening balance sheet. Capitalized 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 9<sup>th</sup> 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. Refer to note 6 for more detailed information.

## Note 5 – Property, plant and equipment

NOK '000	Plant and machinery	Movables	Machinery and plant in progress	2022 Total
<b>Purchase cost 01.01.2022</b>	<b>17 179</b>	<b>2 774</b>	<b>4 021</b>	<b>23 975</b>
Additions	1 734	68	2 869	4 671
From Machinery and plant in progress	4 301		-4 301	
Acquisition of subsidiary	22 384			22 384
Disposals				
Exchange differences	1 068	99		1 167
<b>Purchase cost 31.06.2022</b>	<b>46 666</b>	<b>2 941</b>	<b>2 590</b>	<b>52 197</b>
Accumulated depreciation 01.01.2021	1 171	167		1 337
Depreciation year to date 2022	2 299	219		2 519
Exchange differences	84	13		97
<b>Net book value 31.09.2022</b>	<b>43 112</b>	<b>2 542</b>	<b>2 590</b>	<b>48 244</b>
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 recognized at cost until the production or development process is completed. Assets under construction are not depreciated until the asset is taken into use.

## Note 6 – Business combinations

### Acquisition of HydrogenPro Tianjin in June 2022

On the 9<sup>th</sup> of June 2022 HydrogenPro acquired 75% of the shares of HydrogenPro Tianjin CO Ltd (“Tianjin”). Tianjin is reported as a part of the HydrogenPro Group from June 2022.

Tianjin is a provider for electrolyser systems, headquartered in Tianjin, China with approximately 35 employees at the time of acquisition. 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. Tianjin will bring significant system assembly capacity and know-how and complement the capabilities of HydrogenPro, improving control of the value chain and accelerating time to market.

Tianjin’s revenues for the year 2021 would have been eliminated in the consolidated financial statement of HydrogenPro as all production was delivered to HydrogenPro. 2021 profit and assets as of 01.01.22 in Tianjin amounted to no more than 2% of HydrogenPro’s consolidated values.

The fair value of the identifiable assets and liabilities of HydrogenPro Tianjin as the date of the acquisition were:

Fair value recognized on acquisition	(NOK 1,000)	27.06.2022?
<b>Assets</b>		
<b>Non-current assets</b>		
Property plant & equipment		22 384
<b>Total non-current assets</b>		<b>22 384</b>
<b>Current assets</b>		
Cash and cash equivalents		11 890
Other current assets		18 073
<b>Total current assets</b>		<b>29 964</b>
<b>Total assets</b>		<b>52 348</b>
<b>Non-current liabilities</b>		
Deffered tax liability	-	1 055
Other long term liabilities	-	721
<b>Total non-current liabilities</b>		<b>-1 776</b>
<b>Current liabilities</b>		
Other short term liabilities	-	12 634
<b>Total current liabilities</b>		<b>-12 634</b>
<b>Total liabilities</b>		<b>-14 410</b>
<b>Total identifiable net assets at fair value</b>		<b>-37 938</b>
Purchase consideration transferred		67 185
<b>Goodwill arising on acquisition</b>		<b>29 247</b>
<b>Purchase consideration transferred</b>		
Cash paid		50 389
<b>Total consideration (payments from HP)</b>		<b>50 389</b>
Adj. for HP 75% stake		75 %
<b>Equity value (100% of subsidiary)</b>		<b>67 185</b>
<b>Analysis of cash flows on acquisition:</b>		
<b>Total consideration (payments from HP)</b>		<b>50 389</b>
Cash out		50 389
Cash received		9 541
<b>Total Net cash out</b>		<b>40 848</b>

# 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 a 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 condition 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, 7<sup>th</sup> of November 2022

## 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)

**Richard Espeseth**

*CEO*

(Electronically signed)

**Donna Rennemo**

*Board member*

# Hydrogen pro

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