

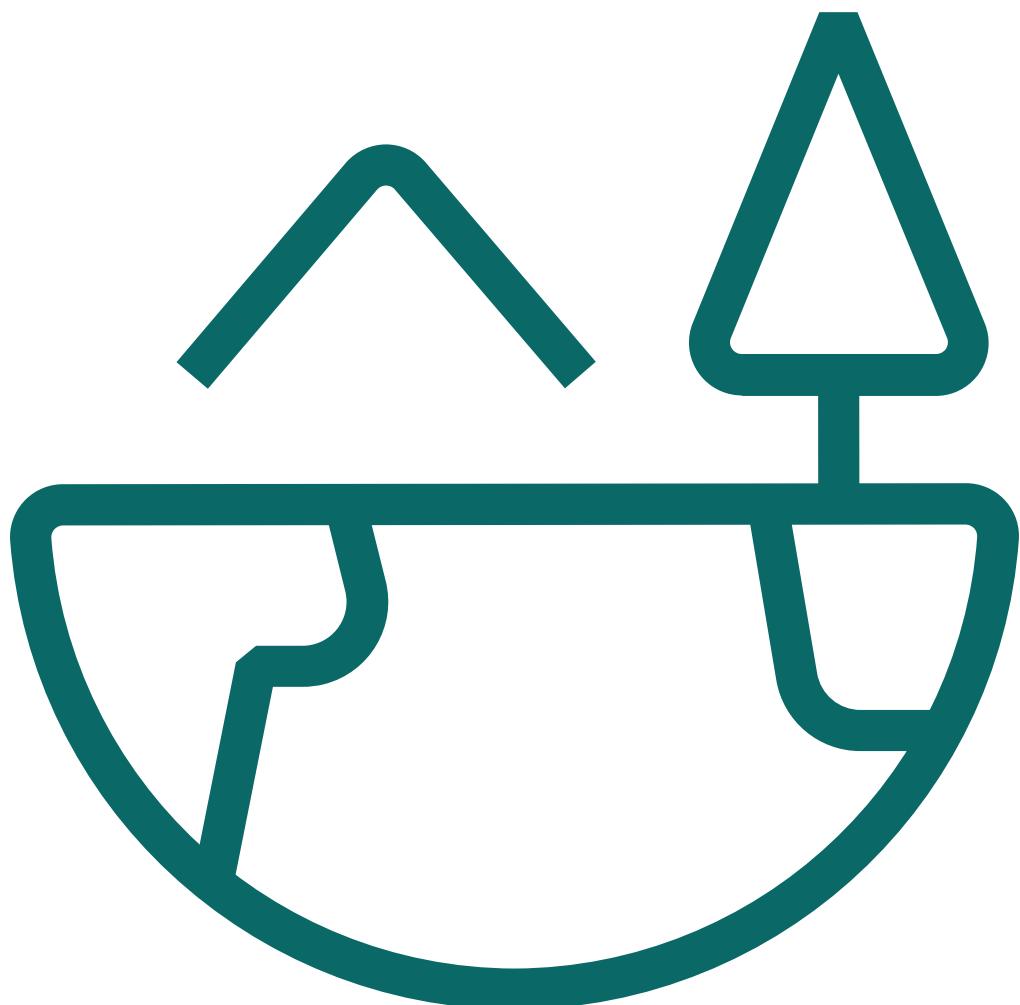
Integrated report 2021

Annual report and ESG report

HydrogenPro AS

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Key achievements

2021

Acquired world-leading electrode company

Jan 2021 - Acquired world-leading electrode technology through ASP in Denmark. This is a game changing technology advantage that reduces electricity consumption by 14% which equals approx. the investment cost for the entire plant in a total cost of operation perspective, with variations depending on the electricity price. Industrial-scale production facility in operation from end of 2021.

Strategic move to manufacture complete electrolyser systems

Nov 2021 - Signed agreement to acquire leading Chinese high-pressure alkaline technology company including world-wide IP rights. The capacity has been expanded to more than 30 people with a new board and CEO. The first HydrogenPro electrolyzers are in production and capacity will be 300 MW p.a.

Achieved ISO certification

To ensure products and services meet the needs of customers through an effective management system through internationally recognized standards.

Active sales pipeline by year end 2021 of 12 GW. Never seen a stronger market. In addition, several engineering studies are in progress for major companies for large scale production plants.

Year to date 2022

Received one of the world's largest electrolyser system purchase orders

April 2022 - received firm purchase order for one of the world's largest electrolyser system contracts ever, with an initial contract value exceeding USD 50 million.

CEO letter

2021 was a momentous year for HydrogenPro! We moved from technology innovation and system concept development to focusing on large-scale projects and production capacity.

As the year started, we acquired Advanced Surface Plating ApS in Denmark, which has developed technology to significantly improve the efficiency of electrolyzers. Towards the end of the year, we set up a subsidiary in Tianjin, China, with a 300MW annual electrolyser production capacity, giving us complete technology ownership. This was the first major step of HydrogenPro's global technology and fabrication plan.

In between these two events, we onboarded excellent staff members, significantly strengthening our project execution capability. We strengthened our various business partnerships. We built local presence and customer relations to potential customers. Not least, we received a purchase order from Mitsubishi Power for the world's largest single stack high-pressure alkaline electrolyser system. This is an important milestone that demonstrates our technological leadership.

I would also like to mention that along with the financial reporting for 2021, we are also publishing our first sustainability report, reflecting our firm commitment to the UN's Sustainable Development Goals.

Sustainability remained at the top of the public agenda during the past year, and we saw robust public commitments to meet the 2030 and 2050 CO₂ reduction targets.

It also became increasingly clear that hydrogen will be an essential element in this green transition. Technology has matured to the point where hydrogen produced from renewables has become commercially competitive with fossil alternatives in several regions across the globe.

HydrogenPro is at the forefront of this trend. We reduce capital expenditure through technology and innovation, with the design for the world's largest cell stack.

Even more importantly: With our next-generation electrode technology we are able to increase the operating efficiency of each unit by 14%. This is key, as electric power is by far the main cost element when producing hydrogen. In fact, the value of the increased efficiency equals the investment cost for the entire plant in a total cost of operation perspective, with variations depending on the electricity price.

In order to take advantage of our leading technology and the exciting market opportunities we see, we target a fabrication capacity in excess of 1 gigawatt by year-end 2023.

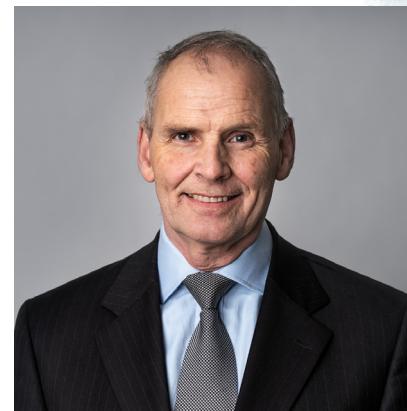
To put this in perspective: During 2021, our active sales pipeline grew from 4.9 gigawatts in the first quarter to 12 gigawatts by year end.

I have worked with energy and hydrogen for a long time, and I have never seen anything like the market opportunities we are now faced with. Customers from all continents are exploring our hydrogen technology solutions.

This makes me excited when looking ahead, on behalf of HydrogenPro, and on behalf of the planet.



Elling Nygaard
CEO



VISION

Become #1 provider of large-scale green hydrogen plants

VALUES

Courage
Integrity
Collaboration
Innovation

MISSION

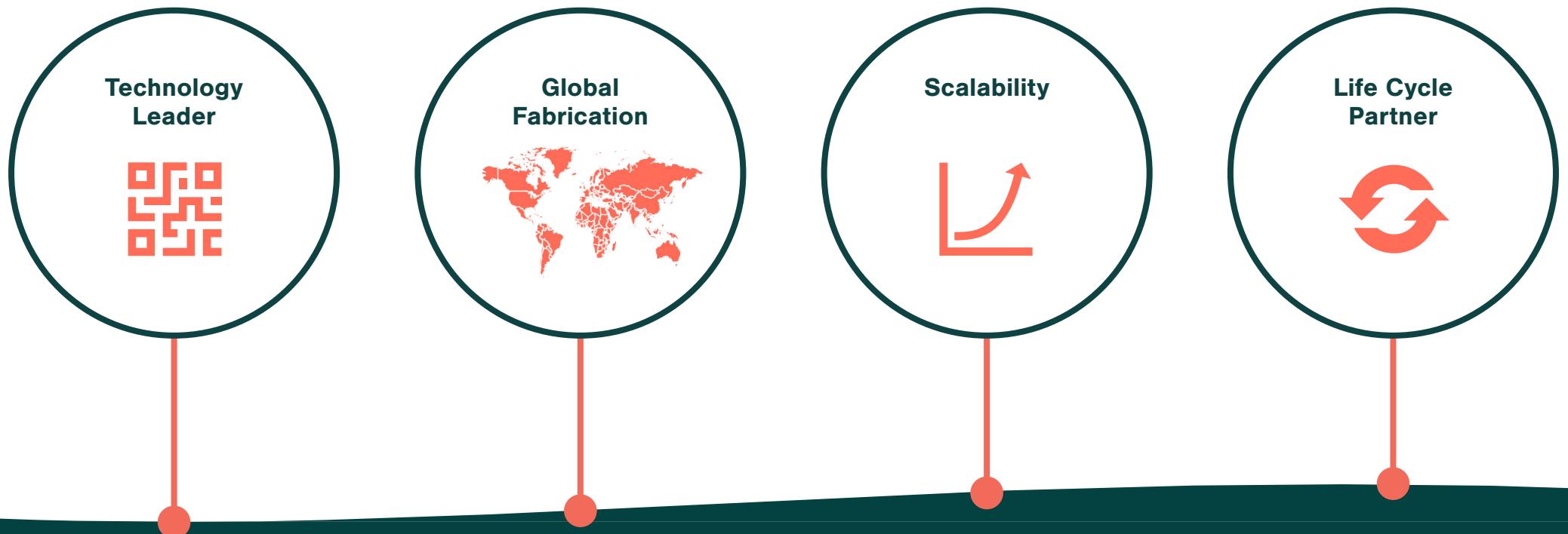
Accelerate global decarbonization with world-class sustainable green hydrogen solutions

Business model & value proposition

HydrogenPro aims to become a world-leading provider of alkaline high-pressure electrolyser technology plants and solutions to meet the highest standard for safety, reliability and long lifetime. We deliver turn-key plants for large-scale production of green hydrogen. Modular and compact design, our advanced hydrogen production plants offer efficient, renewable green hydrogen in accordance with customer needs.

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. Our organisation comprises an experienced engineering team of leading industry experts, drawing upon unparalleled experience and expertise within the hydrogen and renewable sectors. By combining our in-depth knowledge with innovative design, we continuously aspire to pioneer game-changing ideas and solutions to realize and maximize new opportunities in a more innovative, sustainable, hydrogen-powered future.

HydrogenPro to become #1 large-scale provider of green hydrogen production plants



- High-pressure alkaline electrolyzers
- Next-generation electrode technology, enabling significant lower green hydrogen production cost
- 300MW production capacity in Asia by 2Q 2022
- Additional production hubs in Asia, America and Europe in planning
- Standardization offers efficiency in production and design
- Easily scalable to meet any project size
- Full-fledged life cycle partner
- Targeting recurring revenues from aftersales on installed base

Hydrogen outlook and main end-user segments

Global trends and outlook for green hydrogen

To reach net-zero emissions by 2050, annual clean energy investment worldwide will need to more than triple vs. the current level by 2030 to around \$4 trillion.

In its recent assessment of the global hydrogen markets, the International Energy Agency ("IEA") asserted that due to limited global production of low carbon hydrogen, lack of cost competitiveness and limited use in sectors with potential, such as long-distance transport, the adoption of hydrogen falls short of what is required for achieving global net-zero by 2050. IEA's net-zero by 2050 scenario is contingent upon a significant step-change in global hydrogen production (i.e. 212 million tonnes and 530 million tonnes by 2030 and 2050 respectively, compared to 87 million tonnes in 2020), which requires a substantial increase in installed electrolysis capacity of up to 850 GW by 2030 and almost 3,600 GW by 2050 (compared to current 0.3 GW).

Green hydrogen is key to a climate-friendly future. Power-to-gas, balancing of the grid, Clean Fuels and Industrial Hydrogen has seen significant demand growth for these applications in the marketplace. We continue to believe that all these markets will grow further over the coming years based on the commitment by governments worldwide to mitigate climate change, the growth of renewables in the energy mix and the need to decarbonise industrial processes. Green hydrogen can be a real opportunity for the industry to achieve climate neutrality. To make use of this potential, it is essential to take active steps to develop hydrogen technology and commercially develop sustainable business models across the entire value chain for hydrogen gas and gas-to-liquid.

The majority of costs stem from the cost of renewable power. We have seen rapid growth in renewable capacity in the last few years, and this strong trend is forecasted to continue.

Hydrogen is needed to develop renewables, and the drop in renewable power prices makes green hydrogen competitive with fossil alternatives.

Refining and industrial applications constitute more or less all current hydrogen demand and is produced almost exclusively from fossil fuels, resulting in close to 900 Mt of CO₂ emissions. But there are encouraging signs of progress. The global capacity of electrolyzers, which are needed to produce hydrogen from electricity, doubled over the last five years to reach just over 300 MW by mid-2021. Around 350 projects currently under development could bring global capacity up to 54 GW by 2030. Another 40 projects accounting for more than 35 GW of capacity are in the early stages of development. If all those projects are realised, global supply of hydrogen from electrolyzers could reach more than 8 Mt by 2030. While significant, this is still well below the 80 Mt required by that year in the pathway to net-zero CO₂ emissions by 2050 set out in the IEA Roadmap for the Global Energy Sector.

Increased use of renewable energy, combined with intensified electrification, could prove decisive for the world to meet key climate goals by 2050. This study from the International Renewable Energy Agency (IRENA) highlights immediately deployable, cost-effective options for countries to fulfil climate commitments and limit the rise of global temperatures. The envisaged energy transformation would also reduce net costs and bring significant socio-economic benefits, such as increased economic growth, job creation and overall welfare gains.

IRENA finds that hydrogen from renewable energy could play a central role in the global energy transformation.

Awards by the several public financing programs, incl. IPCEI and EU Green Deal are likely catalysts to realise industrial-scale projects going forward.

The colors of hydrogen

Hydrogen (H₂) is a colourless gas, but the market typically distinguishes between the source of the H₂, mainly to distinguish non-renewable fossil-based H₂ from renewably-sourced H₂.

"Brown" hydrogen

Brown hydrogen is derived when CO₂-polluting fossil fuels react with steam during a more straightforward and cheaper extraction process called steam methane reformation. It's called 'grey' hydrogen when natural gas, usual methane, is used.

"Grey" hydrogen

Grey hydrogen is produced by methane steam reforming (CH₄ + 2H₂O → 4H₂ + CO₂) in a high temperature and pressure nickel heterogeneously catalysed process without collecting the associated carbon dioxide. Almost all hydrogen produced today is dirty hydrogen, which has found niche use for decades in oil refining and ammonia for explosives and fertiliser.

"Green" hydrogen

Green hydrogen is certainly central in the drive to net-zero emissions because electrolyzers that split water into its two elements of hydrogen and oxygen produce emission-free energy; the only by-product is water vapour when used as a fuel. As well as being a clean fuel that burns to high temperatures, green hydrogen is an energy carrier and an input ('feedstock') for synthetic fuels. By contrast, green H₂ is produced by a fossil-free water electrolysis process (2H₂O → 2H₂ + O₂), where the electricity comes from renewable sources, such as solar and wind. The combustible element is light and energy-dense by weight (2.6 times more energy than natural gas per kilo). Currently, the main uses for H₂ around the world are ammonia synthesis (55%), chemical and petrochemical refineries (25%), and methanol production (10%).

"Turquoise" hydrogen

Turquoise hydrogen is a by-product of methane pyrolysis, which splits methane into hydrogen gas and solid carbon. Some consider that this makes turquoise hydrogen a low-emission hydrogen choice – but this depends on the energy-hungry thermal process powered by renewable energy and the carbon being permanently stored.

"Blue" hydrogen

Blue hydrogen is hydrogen obtained using fossil fuels, typically natural gas. The carbon produced is separated from the H₂ stream and stored, for example, geologically in depleted gas fields or buried under the sea.

Other colours of hydrogen

"Pink hydrogen" is hydrogen generated through electrolysis powered by nuclear energy.

Some use "yellow hydrogen" to refer to hydrogen made through electrolysis with solar power, alternatively referred to as electrolysed hydrogen made using the power of mixed origin – i.e. the mix of renewable and fossil power flowing through the grid.

"White hydrogen" is naturally occurring geological hydrogen found in underground deposits and created through fracking.

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

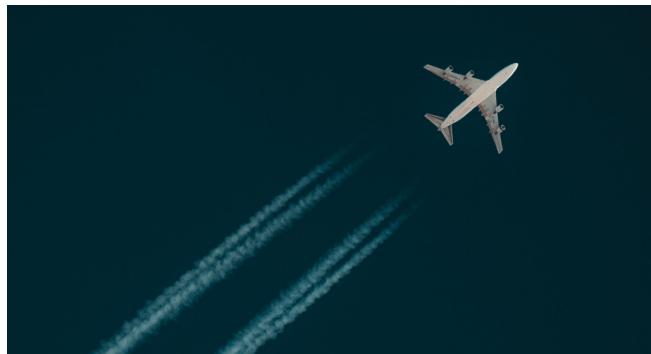
Ammonia—one nitrogen atom bonded to three hydrogen atoms—may not seem like an ideal fuel. Its energy density by volume is nearly double that of liquid hydrogen—its primary competitor as a green alternative fuel—and it is easier to ship and distribute. You can store it, ship it, burn it, and convert it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

According to the World Steel Association, steel is one of the largest industrial sources of greenhouse gases. It is responsible for roughly 7 to 9 per cent of all direct emissions from fossil fuels.

More green steel production is expected in the future due to, among other things, help from hydrogen from electrolysis. The potential use of hydrogen as a reducing agent is many times larger than the amount of H_2 used in the ammonia 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.

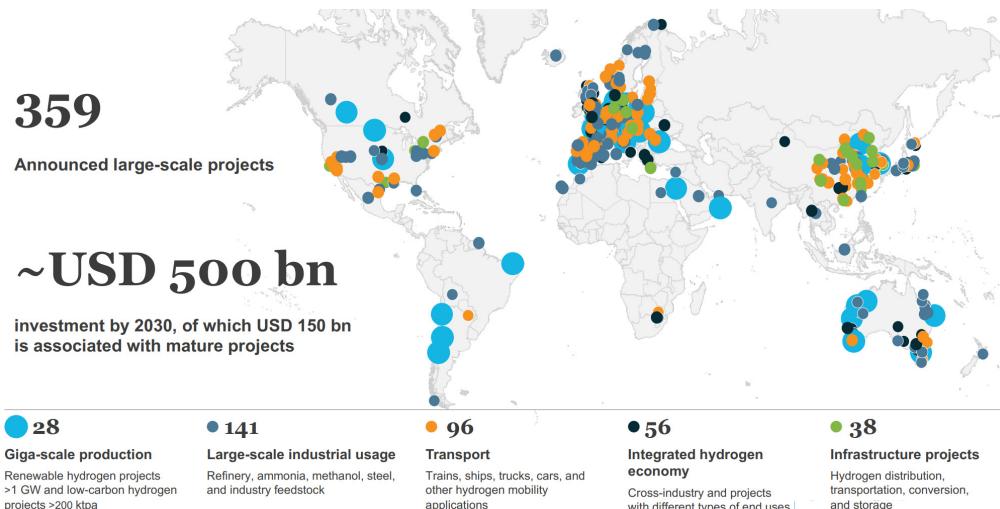
Several European studies have concluded that up to 10 per cent hydrogen by volume can be mixed into natural gas, but that concentrations above 2% by volume will/may (recommendations differ) entail further necessary changes to components in the natural gas network (subsurface storage, analysis equipment) 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 and North Africa. 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.

Synthetic (hydrogen-based) jet fuel (PtX)

Electro fuels (drop-in fuels) could supply a large amount of aviation's growing energy needs. To meet half of Europe's 2050 aviation energy needs would require 24% of the current European electricity generation. Combining CO₂ and H₂ 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. As such, drop-in fuels are fully miscible with traditional jet fuels, and they are fully compatible with existing aircraft engines and the existing fuel infrastructure (tanks, pipelines, equipment, etc.). Present studies suggest that the fuel itself (excluding any excise duties) could cost between 1.00 and 1.40 euros a litre in the long run.

Energy outlook

Global hydrogen projects and investment across the value chain⁴



Snapshot of roadmaps globally

1. The US has launched a 'hydrogen shot' known as '111' for one dollar for one kg in one decade¹
 2. The UK intends to be the "Qatar of hydrogen"²
 3. Japan wants to be a "hydrogen society"³
 4. China, with 53 projects underway, is a "potential hydrogen giant" in a world where more than 350 hydrogen projects are proceeding as US\$ 500 billion is invested by 2030⁴
 5. Australia's government is investing A\$1.2 billion to fulfil a national hydrogen strategy⁵ announcing A\$275 million in its latest budget
 6. Similar promises from Canada, the EU, France, Germany, the Netherlands and South Korea to total at least 50 worldwide⁶
 7. Spain and Portugal are positioning themselves as lead producers and exporters of green H₂ in Europe, with a pipeline of 151 large-scale projects (>100 MW) totaling roughly 4 GW⁷
- to create four 'hydrogen hubs' to generate producer economies of scale⁶. New South Wales is dangling A\$3 billion in incentives to encourage A\$ 80 billion investments to make the state an "energy and economic superpower"⁷

Board of Directors Report

2021 highlights

2021 was a transformative year for HydrogenPro. The Company executed two major milestones to become an original equipment manufacturer with a scalable business model:

- The acquisition of 100% of the shares in Advanced Surface Plating ("ASP") was completed on 8th of January 2021 and the full-scale fabrication facility in Denmark was completed by year end 2021. Through this acquisition, HydrogenPro is the owner of a proprietary next generation advanced electrode technology which has the potential to improve the operating efficiency of our high-pressure alkaline electrolyzers with up to 14%, translating into a projected levelized cost of hydrogen of USD 1.2/kg (assuming electricity price of USD20/MWh).
- In November 2021 HydrogenPro signed an agreement with Tianjin HQY Hydrogen Machinery Co., Ltd. ("THM") to take control of 75 percent of THM, where HydrogenPro takes ownership of core technology and intellectual property rights. The initial annual electrolyser production capacity will be 300MW to be set up in Tianjin, China, thereby completing the first major step in HydrogenPro's global technology and fabrication plan. HydrogenPro will become owner of the core technology and intellectual property rights. The fabrication company will be 25 percent owned by the existing owners of THM.

On 24th of August 2021 HydrogenPro received a purchase order from Mitsubishi Power for the world's largest single stack high-pressure alkaline electrolyser system to produce hydrogen.

The large single stack first-of-its-kind electrolyser system will have a capacity of 1100 normal cubic metres per hour (Nm³/h). It will be installed at Herøya Industrial Park in Norway with HydrogenPro operating the facility.

Other notable events during the year include:

- On 28th of April 2021. HydrogenPro entered into a co-operation agreement on the development of a significant hydrogen hub in the Kvinesdal municipality in Norway with plans for large scale hydrogen production in Kvinesdal at an area close to the Feda fjord. With its' location adjacent to the main electricity grid in Norway it is expected a yearly allocation of 500-800MW electricity which will provide the basis for annual production of around 100 000 tons of hydrogen gas.
- On 29th of May 2021 it was announced that HydrogenPro (OSE: HYPYR), H2V Industry and Mitsubishi Power Europe entered into an MoU forming a consortium that will develop and deliver green industrial hydrogen projects. The MoU will form a long-term partnership, combining the value proposition and expertise of H2V Industry, HydrogenPro and Mitsubishi Power Europe supporting the European and French initiatives to reach the decarbonisation goals. Through this MoU the consortium partners will develop and deliver large scale hydrogen projects, including currently on-going projects.
- On 22nd of October 2021, HydrogenPro announced that H2V sold the remaining ownership of the Normandy hydrogen project, initially planned for 100MW, to Air Liquide. The transaction was announced by Air Liquide in a news release issued Wednesday evening on 20 October 2021. Consequently, H2V has formally notified HydrogenPro that the ongoing co-operation on the Normandy project will cease. The announced transaction has no impact on HydrogenPro's work with H2V to mature the Dunkirk green hydrogen project, also initially for 100MW. The companies continue to mature the project.
- On 29th of October 2021 HydrogenPro announced that the Company joins key suppliers and investors in providing a convertible loan to DG Fuels' Sustainable Aviation Fuel Facility in Louisiana, US. HydrogenPro injects a

convertible loan of USD 3 million in DG Fuels' capital raise. DG Fuels is expected to raise additional equity and debt to fund the construction of its production facility currently designed with a production capacity of 10,355 barrels per day which will require a water electrolyzer capacity of up to 839 megawatts (MW), with HydrogenPro being the exclusive provider, which is a significant increase compared to the 120 MW previously announced.

In December 2021, the Company received ISO 9001:2015 (QMS), 14001:205 (EMS) and 45001:2018 (HS) certifications. The ISO certificates are internationally recognized standards that ensures that products and services meet the needs of customers through an effective management system. The Company will continue to develop and improve its systems further with focus on quality, environment and health and safety.

In line with the growing market HydrogenPro continues to scale up the organization through hiring new management resources and personnel with extensive electrolyser and project experience. Elling Nygaard was appointed new CEO effective 1 November 2021.

The Company's active sales pipeline increased significantly during the year. At closing of 2021 the active sales pipeline consisted of 84 projects totaling 12.0 GW of electrolyser capacity. The size of projects continues to increase with an average plant size of 143 MW, the increase in project size is illustrated by an average size of new projects in the pipeline during fourth quarter of 211 MW per project.

Financials

Income statement

HydrogenPro generated revenues of 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.

Operating expenses amounted to NOK 80.5 million, whereof NOK 11.6 million in raw materials and consumables, NOK 32.9 million in payroll expenses, NOK 30.8 million in other operating expenses and depreciation & amortization expenses of NOK 5.2 million. The increase in operating costs reflects a continued build-up of the organization and systems needed to execute and deliver high quality to our customers.

Operating profit was NOK – 60.5 million.

Net financial income and expenses amounted to NOK 3.1 million, which consisted of NOK 4.4 million as financial income and NOK 1.3 million as financial cost.

Tax on ordinary result was NOK –1.0 million, mainly related to deferred tax assets on depreciation of technology.

Annual net profit for the year ended at NOK – 56.4 million.

Balance sheet Total assets as of 31st of December 2021 were NOK 528.1 million, whereof NOK 403.2 million in current assets (NOK 382.3 million in cash and deposits, NOK 20.6 million in total debtors and 0.3 million in inventories) and NOK 124.9 million in non-current assets, whereof NOK 49.0 million in intangible assets, NOK 3.0 in right of use assets, NOK 22.6 million in tangible fixed assets and NOK 50.3 million in financial fixed assets.

Total equity amounted to NOK 511.3 million and total liabilities of NOK 16.8 million, whereof NOK 15.5 million in short-term liabilities and NOK 1.4 million in long-term liabilities/provisions.

The equity ratio as of 31st of December 2021 was 97%.

Balance sheet

Total assets as of 31st of December 2021 were NOK 533.1 million, whereof NOK 403.2 million in current assets (NOK 382.3 million in cash and deposits, NOK 20.6 million in total debtors and 0.3 million in inventories) and NOK 129.9 million in non-current assets, whereof NOK 56.3 million in intangible assets, NOK 25.6 million in tangible fixed assets and NOK 48.0 million in financial fixed assets.

Total equity amounted to NOK 518.0 million and total liabilities of NOK 15.0 million, whereof NOK 13.7 million in short-term liabilities and NOK 1.4 million in long-term liabilities/provisions.

The equity ratio as of 31st of December 2021 was 97%.

Cash flow statement

Net increase in cash during the financial year was NOK -123.9 million. Net cash flow from operating activities was NOK -47.6 million.

Net cash flow from investing activities of NOK -78.0 million This includes R&D spending of NOK 47.8 million which relates to the acquisition of Advanced Surface Plating ApS ("ASP"), and NOK 16.6 million related to the completion of the full-scale electrode fabrication facility in Denmark.

Net cash flows from financing activities were NOK 1.8 million.

Shares and dividend

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

As of 31st of December 2021 the number of shares outstanding was 58,028,171 with a par value of NOK 0,001/share. The number of shareholders was 2682, compared to 1993 as of 31st of December 2020. All shares are of the same class and with equal voting and dividend rights.

The market capitalization as of year-end 2021 was NOK 868.1 million

Given the Company's early stage of development and strategic ambitions, the Board of Directors does not recommend a dividend for the year 2021.

Risks

Through its ordinary operating activities, the Company is exposed to various types of risk and this exposure to risk is expected to increase as the Company gradually becomes more involved in the actual delivery and system integration of large-scale electrolyser plants. 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 include price clauses to reduce the Company's exposure to currency rate and commodity price risk, or alternatively through financial instruments.

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 favorable terms, or at all.

Corporate governance report

With our ambition to become a leading supplier of water electrolyser systems for industrial applications, the Company has a responsibility to commit to high standards relating to working environment and personnel welfare, environmental impact and business practices.

Following the IPO in October 2021, the Company has implemented guidelines, policies and procedures relating to human rights, employee rights and social matters including prevention of corruption, harassment and discrimination.

Please see Corporate Governance Report in the next main section.

Environment

The core of Hydrogen Pro's business model is to provide large-scale green hydrogen solutions, hence. sustainability is at the core of our offering through combating climate change. The Company's hydrogen solutions have zero emissions when connected to renewable power sources as solar, wind or hydro power.

Key events after the balance sheet date

Received purchase order for an initial delivery of 40 electrolyzers to Mitsubishi Power Americas, Inc.

On 3rd of February 2022 HydrogenPro announced that the Company has signed a contract for an initial delivery of 40 electrolyzers to Mitsubishi Power Americas, Inc. making it one of the largest electrolyser system contracts ever placed. On 4th of April 2022, it was announced that Mitsubishi confirmed a firm Purchase Order. The initial value of the contract exceeds USD 50 million for HydrogenPro's scope of delivery. The EPC and other system deliverables for a turn-key electrolyser green hydrogen production plant will be supplied by other companies. The green hydrogen will be consumed for power generation in the U.S.

MoU with L&T for delivery of Hydrogen Electrolysers in India

On 27th of January 2022 HydrogenPro announced a Memorandum of Understanding (MoU) with Larsen & Toubro (L&T), an Indian multinational engaged in EPC Projects, Hi-Tech Manufacturing and Services, for a partnership for delivery of hydrogen electrolyzers in India. Under this agreement, HydrogenPro and L&T will jointly work towards setting up of a joint venture in India for Gigawatt-scale manufacturing of Alkaline Water Electrolysers based on HydrogenPro technology for Indian market and other select geographies. The proposed joint venture in India is in line with L&T's strategic vision to be present across the green energy value chain and HydrogenPro's strategy of establishing a global manufacturing footprint to maintain cost leadership and ensure local presence.

Status of purchase order with Mitsubishi announced 24th of August 2021

The world's largest single stack high-pressure alkaline electrolyser system is currently being fabricated in China. Covid-19 infection control measures in China in 2022 has led to a lock down which has caused a delay in the delivery. The main part of the gas separator skid has been completed and the assembly of the electrolyser is on-going where progress is pending a Covid-19 lockdown at a sub-supplier.

Porsgrunn/Oslo, 7 April 2022

(Electronically signed)

Ellen Merethe Hanetho
Chair of the Board

(Electronically signed)

Richard Espeseth
Board member

(Electronically signed)

Jarle Tautra
Board member

(Electronically signed)

Kermit J. Nash
Board member

(Electronically signed)

Jarle Dragvik
Board member

(Electronically signed)

Elling Nygaard
CEO

The production of the system will be finalized within four weeks after the sub-supplier re-opens its facilities. The current delay has no negative contractual implications for HydrogenPro. After the system is completed, it will be transported to Norway for installation and commissioning.

Outlook

With the significant increase in the active sales pipeline and recent contract awards the outlook for the Company's services continue to strengthen backed by an ever-increasing focus on the need for an energy transition away from fossil energy sources. The purchase order with Mitsubishi Power Americas, Inc. announced on 4th of April 2022, is one of the world's largest electrolyser systems contracts every placed. This was an important milestone, and the Company 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 and thus contract awards.

The main objective with the Company's global fabrication plan, in cooperation with large industrial partners, is to scale-up globally where each party can contribute with its key competencies. The MoU signed with Larsen & Toubro in India, is a proof that HydrogenPro's offering is attractive for large industrial players, and the Company will continue to roll out a global fabrication footprint in North America and Europe, in addition to India and China.

A continuous focus on technology and innovation, to fortify the Company's position as a technology frontrunner is a key strategic priority. The advanced electrode technology will undergo full-scale validation during 2022 and several other innovative efforts will be carried out to maintain cost leadership.

HydrogenPro is attractively positioned in this developing market due to its mature and well proven high pressure alkaline technology in combination with energy efficient electrode technology. The electrode technology will now be verified on a full-scale basis. With the new technology the Company will be able to deliver a Levelized Cost of Hydrogen ("LCOH") of USD 1.20 per kg (assumed electricity price of USD20/MWh)

Going concern and statement from the Board of Directors

In accordance with section 3(3a) of the Norwegian Accounting Act, the Board of Directors, confirms that the going-concern assumption is met and that the annual accounts for the Company for 2021, to the best of our knowledge, have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements gives a true and fair view of the Company's assets and liabilities.

Corporate governance report

1. Implementation and reporting on corporate governance

With our ambition to become a leading supplier of alkaline high-pressure electrolyser systems for industrial applications, the Company will commit to high standards relating to working environment and personnel welfare, environmental impact and business practices.

We are maintaining a high ethical standard as an honest and reliable corporation. We continue to build our reputation as a trusted supplier and partner. We are adopting and complying with principles of corporate responsibility and in our daily operations, that demonstrate integrity and transparency.

HydrogenPro reports and have 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.

HydrogenPro was listed on Euronext Growth on the Oslo Stock Exchange on 14th of October 2020, under the ticker "HYPY". 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 Euronext Growth, the Norwegian Private Limited Liability Companies Act and all other applicable laws and regulations.

The corporate governance is valid for all HydrogenPro operations, locations and employees employed directly or in-directly. The Company will work closely with suppliers to ensure the same integrity, transparency and compliance as expected of HydrogenPro.

HydrogenPro's Board of Directors and executive management is committed to following 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 website hydrogen-pro.com. For the reporting period of 2021 HydrogenPro provides an integrated financial and sustainability report addressing sustainability topics according to the Global Reporting Initiative ("GRI") core standard.

2. The business

HydrogenPro was founded in 2013 by individuals with background from the electrolysis industry which was established in Telemark, Norway by Norsk Hydro in 1927. We are an experienced engineering team of leading industry experts, drawing upon unparalleled experience and expertise in the hydrogen and renewable energy industry. HydrogenPro designs and supplies hydrogen plants in cooperation with global partners and suppliers, all ISO 9001, ISO 45001 and ISO 14001 certified.

Our core product is the alkaline high-pressure electrolyser. In January 2021, the Company completed the acquisition of Advanced Surface Plating ApS in Denmark, a company that has developed an advanced electrode technology. With this technology we are able to increase the efficiency of each unit by 14% to reach 93% of the theoretical maximum. This is a significant step forward as the cost of electric power, depending on market prices, amounts to 70-90% of the 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." The Company's headquarter is located in Porsgrunn, Norway. As of 31st of December 2021 HydrogenPro AS has operations in Norway, Denmark and China.

The Board of Directors has the responsibility to define objectives, strategies and define the Company's risk profile

based on a holistic risk assessment to ensure value creation for its shareholders and stakeholders in a sustainable manner. As input factors into this process, the Board of Directors will take the risk assessment, stakeholder and materiality- and engagement assessment, financial, social and environmental matters into considerations. All material topics including positive and negative impacts will be considered at the highest governance body at HydrogenPro.

As the highest governance body, the Board of Directors has made the following sustainability statement for HydrogenPro: Our ambition is to accelerate global decarbonization with world-class technology- and cost-efficient sustainable green hydrogen solutions.

3. Equity and dividends

The number of shares outstanding as of 31st of December 2021 was 58,028,171 with a par value of NOK 0,001/share.

The Company has no explicit dividend policy at this point in time as HydrogenPro's operations are not currently generating positive cash flow. The Company does consequently not expect to pay dividends in the near future. There can be no assurance that in any given year a dividend will be proposed or declared. In deciding whether to propose a dividend and in determining the dividend amount, the Board of Directors will take into account capital expenditure plans, financing requirements, legal restrictions as well as the need to maintain appropriate financial and strategic flexibility.

4. Equal treatment of shareholders

HydrogenPro upholds equal treatment of 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.

The Company has only one share class, and all shareholders have equal rights. Existing shareholders are given priority in the event of share capital increases unless special circumstances warrant deviation from this principle.

Transactions between the Company and related parties, including members of the board or persons employed by the Company either personally or through companies belonging to related parties, must be based on terms

achievable in an open, free and independent market, or on the basis of a third-party valuation.

5. Shares and negotiability

All shares in HydrogenPro carry one vote and are freely transferable. The Company's shares are listed on Euronext Growth Oslo, under the ticker 'HYPRO'. The articles of association contain no restrictions on transferability.

6. General Meetings

The General Meeting is the highest decision-making authority of the Company. All shareholders of the Company are entitled to attend and vote at General Meetings and to table draft resolutions for items to be included on the agenda for a General Meeting. Shareholders who cannot attend the meeting in person will be given the opportunity to vote. The General Meeting will normally be held each year by the end of June, with notice of the event and documents available on the Company website no later than seven days before the annual General Meeting. Shareholders may participate and vote, in person or by proxy, as long as they are registered with the Norwegian Registry of Securities (VPS).

The Public Companies Act stipulates that at least 21 days' notice must be given to call a general meeting of a listed company. The Company is currently a limited liability company

and follows the Limited Liability Companies Act where the notice period prior to a general meeting is set to at least one week.

The Company endeavours to ensure that meeting documents are sufficiently detailed to enable shareholders to take a view on all matters to be considered. The deadline for notifying attendance at a General Meeting is set as close to the meeting as possible.

General Meetings are chaired by the board chair if no-one else is elected to do so. Minutes of General Meetings are published in the form of stock exchange notifications and on the Company's web site.

7. Nomination committee

HydrogenPro does not currently have a nomination committee due to the current development of the Company and the limited size and complexity of the current Board of Directors. To remedy this non-compliance with the Code the Company will seek to elect and implement a nomination committee over the next 12 months.

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 of Directors 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 2-6 members elected by the General Meeting. The current Board of Directors consists of five members, one woman and four 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 of Directors intends to be an independent function of the Company. It is of outmost importance to the Board of Directors to be compliant with prevailing laws, regulatory framework and legislations regarding transactions, impartiality, instructions- and the work of the Board of Directors

The Board functions as an effective collegiate body through frequent board meetings and handling of relevant and strategically relevant needs, as well as operating independently of any special interests. An overview of the Board of Directors can be found in the annual report and on the Company's web site.

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 of Directors' rules of procedure and board meeting agenda addresses 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 such

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 of Directors 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 of Directors and executive management should handle agreements with related parties, including whether an independent valuation must be obtained. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business. This includes ensuring proper organization, preparing plans and budgets for its activities ensuring that the Company's activities, accounts, and assets management are subject to adequate controls and undertaking investigations necessary to perform its duties. The Board of Directors is responsible for control and approval of any financial reports.

In case of impartiality matters, especially considering the chair of the board, such matters are chaired by some 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 then implement

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.

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.

The Company has a management system, which includes routines, descriptions and procedures which all employees have access to and is trained in. It is of strategic importance that employees or stakeholders in general, reports any non-compliance, critical concerns or grievances. All concerns reported are managed according to established routines, making sure the Board of Directors is involved accordingly. Health, safety and risk mitigation is a mandatory topic in board, management and operational meeting with learning processes to increase knowledge and make revisions of existing procedures. In the situation of any negative impacts, the Board of Directors is committed and responsible for cooperation in the process of remediation of the impact and address 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 legislations.

The process of identifying, evaluating and implementing of 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, with the Board of Directors responsible for monitoring of the process and the management of the risks assessed. The Company also engages with external expertise to ensure tax compliance in the countries it operates.

11. Remuneration of the Board of Directors

The General Meeting proposes and approves remuneration of the Board of Directors according to votes. The compensation is competitive in the current market situation and based on market statistics regarding remuneration of board members. HydrogenPro does not have a remuneration committee as of 2021 but engages with shareholders at the General Meeting to suggest appropriate remuneration.

The remuneration of the Board of Directors reflects the board's responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration of the Board of Directors comprises a fixed annual amount.

In a building phase of the Company, share options have been granted to board members. Additionally, members of the Board of Directors have taken on selected assignments for the Company in addition to their appointment as a member of the Board to support the Company in the current growth phase. The Company is currently recruiting new resources to fulfil the objective of no additional assignments to be carried out by the Board of Directors after 2022.

The award of share options and board remuneration are outlined in the notes of the financial statement.

12. Salary and other remuneration for executive personnel

Management remuneration policy is under development and will be published as part of the 2022 integrated report, latest. For decision on remuneration and employment of executive- and senior personnel the CEO holds the signatory rights.

13. Information and communications

HydrogenPro complies with all applicable disclosure laws and practices, seeks transparency and is committed to provide 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, non-financial (ESG) and other information based on transparency and the requirement for equal treatment of all participants in the securities market. The Investor Relations ("IR") activities is conducted by the IR team with delegated responsibility from the Board of Directors, which includes the CFO, the CEO, and the Chair of the Board as well as other personnel appointed by the team. Only members of the IR team can act as spokesperson 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's web site.

The insider lists are maintained by the CFO.

14. Take-overs

In the event of a takeover situation, the Company's Board and management will endeavour to ensure equal treatment of all shareholders. The Board will ensure that shareholders are given relevant information and sufficient time to evaluate any bona fide bid, and endeavour to provide a recommendation to shareholders as to whether or not a bona fide bid should be accepted. The Board and management will help ensure that there are no unnecessary disruptions to the business in the event of a takeover. Moreover, such a situation will be governed by the provisions applicable to listed companies.

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 to the financial statement. The sustainability report is not subject to assurance/audit for the reporting period of 2021.

The auditor attends the Board meeting at which the annual financial statements are approved. The auditor presents an annual audit plan to the Board of Directors. The Board has adopted guidelines on management's use of the auditor for services other than auditing. The Board of Directors 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 Merete Hanetho

Chair of the board

Ellen has been on the HydrogenPro's Board of Directors since August 2019, has 20 years of experience from investment banking and private equity as a finance and business development executive 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, along with additional six positions as chairperson for other Norwegian companies. Ellen holds a BSBA from Boston University, US and an MBA from Solvay University, Belgium in addition to executive training from INSEAD, France and Harvard Business School, US. Ms. Hanetho is a Norwegian national, non-executive and independent.



Jarle Tautra

Director

Jarle Tautra has been on the HydrogenPro's Board of Directors since October 2021, has several years of experience from multiple management positions in energy-related powerhouses and has gained valuable and extensive international experience in project execution. His experience includes significant commercial, strategic, and capital market expertise, as well as operational experience. Mr. Tautra's managing experience has mainly been achieved through his former managing positions including chief executive officer of Eureka Pumps, a Norwegian pump supplier operating in the oil & gas and marine industry. Furthermore, Mr. Tautra has several years' experience from Aker Group, where he held the position as Executive Vice President for Process and Construction and, later, 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, among certain other things, several positions in Norsk Hydro ASA. Mr. Tautra holds a master's degree in Chemical Engineering from the Norwegian Institute of Technology in Trondheim, Norway. Mr. Tautra is a Norwegian national, non-executive, independent, and holds two positions as chairperson at other Norwegian companies.



Richard Espeseth

Director

Richard founded HydrogenPro in 2013 and has been on the Board of Directors ever since. He has 25 years international industry experience from Norsk Hydro, Statoil, ABB and RPR. More than 10 years of experience from the hydrogen electrolyser business. M.Sc. in Mechanical Engineering from South Dakota School of Mine & Technology. Mr. Espeseth is a Norwegian national, non-independent and holds an executive position at the Company.

Board of Directors

**Kermit J. Nash****Director**

Kermit J. Nash has been on the HydrogenPro's Board of Directors since October 2021, is a US-based attorney with nearly 20 years of experience as practicing counsel and brings key legal and business competence to the board of directors of HydrogenPro AS. Mr. Nash is one of the partners in Saul Ewing Arnstein & Lehr LLP and practices a wide range of law with main focus on corporate law. He counsels domestic and international clients on legal issues connected with their business operations, governance, strategy, and investments, and has represented both acquirers and investors, including private equity funds and venture capital firms, hedge funds and wealth funds. Mr. Nash's breadth of experience, together with the hundreds of deals he has led, positions him to handle complex transactions involving multiple jurisdictions. He holds a Juris Doctor degree from the Hamline University School of Law, as well as studies in ethics and comparative international law at Rothberg International School, Hebrew University. Furthermore, Mr. Nash holds a B.A., summa cum laude, from Northwestern College. Mr. Nash is a US national, non-executive, independent and holds two additional positions as board member.

**Jarle Dragvik****Director**

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, Mr. Dragvik has extensive experience from numerous of senior international management positions as well as board memberships throughout his career. Such experience is achieved through, among others, board memberships and management positions in large companies such as Norske Skog, Norsk Hydro and Sapa AS. Mr. Dragvik 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 Oslo Business School in Norway. He has also completed several management programs i.e., Orkla Top Management Program in Oslo/Shanghai, IMD Global Strategy Execution Program in Lausanne, Switzerland 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.

Management

**Elling Nygaard****CEO**

Elling was appointed CEO in October 2021. He has a wide sales and business experience from project-oriented technology businesses, where strategic partnerships have played a central role. For more than 20 years, he has held a number of senior management positions, lately working at ABB specifically on hydrogen, including developing a global partnership with HydrogenPro. He has also held the CEO position at several technology companies. He holds an electrical engineer degree, and economy- and market management from BI.

**Erik Chr. Bolstad****CCO**

Several positions within Commercial, Sales & Marketing functions with long experience from B2B within the global shipping and shipbuilding industry. More than 20 years' experience from various management positions within ABB and others. B.Sc. Electronic engineering from University of South-Western Norway.

**Martin Thanem Holtet****CFO**

Martin was appointed as CFO in December 2020 and joined HydrogenPro on 1st of March 2021. Martin comes 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. Martin holds a master's degree from Norwegian School of Economics (NHH) with a major in financial economics.

**Richard Espeseth****CBDO**

Richard founded HydrogenPro in 2013. He has 25 years international industry experience from Norsk Hydro, Statoil, ABB and RPR. More than 10 years of experience from the hydrogen electrolyser business. M.Sc. in Mechanical Engineering from South Dakota School of Mine & Technology.

ESG report

ESG report

HydrogenPro designs and supplies green hydrogen plants in cooperation with global partners and suppliers.

Our core product is the alkaline high-pressure electrolyser. Recently we acquired a new plating technology through the acquisition of Advanced Surface Plating in Denmark. With our new electrode technology, we are able to increase the efficiency of each unit by 14% to reach 93% of the theoretical maximum. This is a significant step forward as the cost of electric power, depending on market prices, amounts to 70-90% of the hydrogen production cost, and the value of such increased efficiency equals approximately the investment cost for the entire plant in a Total Cost of Operation perspective. The new technology is proven in a small industrial scale unit, and a production facility that can handle full size electrodes was completed by year-end 2021. Global fabrication site is planned in Asia, Europe and USA to satisfy demand for local content and not the least, minimize the lifecycle carbon footprint.

Unlike traditional alkaline electrolysis systems, our high-pressure units (up to 30 bar) save compression costs and are therefore well-suited for variable loads from solar panels and wind turbines. We compare favourably with alternative technologies as the electric consumption is much lower per kg hydrogen. Hereto comes, that our electrolysis units do not use any noble metals or polyfluorinated alkyl substances.

The demand for green hydrogen is accelerating all over the world. Projects comprising several giga watts (GW) are currently under development and with our leading technology, industry leading competence, and strong partners, we are aiming to become #1 provider of large-scale green hydrogen plants.

Sustainable Development Goals

HydrogenPro respects and supports the UN Sustainable Development Goals (SDG). We have evaluated, prioritized and adopted selected goals and made them strategically important to us. We intend to utilize the strengths of our Company in the global collaborative mission to achieve sustainable development, to reduce potential impacts and to create value to our stakeholders.

Our prioritized SDG's are our guidelines for sustainable business conduct. To make progress and prove our intent, ambitions and targets are set and we are aligning our operations accordingly.



CFO Message

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

The market opportunities are enormous. By 2050, hydrogen is forecasted to contribute with 20% of global emission abatement, where hydrogen will be 22% of final energy demand. For the planet to achieve net zero by 2050 this will require more than 100 GW of annual increase in electrolyser capacity.

HydrogenPro has a scalable business model, and our vision is to become #1 provider of large-scale green hydrogen plants. To create shareholder value requires us to work holistically on the key areas; people, planet, and prosperity. These go hand-in-hand with our capital deployment plan:

People

Our most valuable asset is our employees. To invest in our people is thus the core of achieving our strategic goals.

Planet

We will continue invest to take a leading position in the green hydrogen industry to accelerate the energy transition.

Prosperity

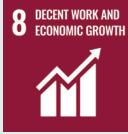
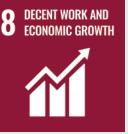
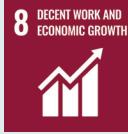
To create shareholder value our approach is to scale up globally through a partnership strategy where each party contribute with their key competencies.



MARTIN THANEM HOLTET
CFO

Strategy

Goals and ambitions

Segment	People	Planet	Prosperity
SDGs	 8 DECENT WORK AND ECONOMIC GROWTH	 7 AFFORDABLE AND CLEAN ENERGY  8 DECENT WORK AND ECONOMIC GROWTH  12 RESPONSIBLE CONSUMPTION AND PRODUCTION  13 CLIMATE ACTION	 8 DECENT WORK AND ECONOMIC GROWTH  7 AFFORDABLE AND CLEAN ENERGY
Ambition	<ol style="list-style-type: none"> 1. Health and safety are essential for the success of HydrogenPro AS 2. Our ambition is zero accidents and work related ill health at the Company 	<ol style="list-style-type: none"> 1. Most cost-efficient green hydrogen production technology 2. Contribute to global CO₂ reduction 	<ol style="list-style-type: none"> 1. Global leading provider of large-scale green hydrogen production solutions for industrial applications 2. Profitable growth and long-term shareholder value return
Goals	<ol style="list-style-type: none"> 1. Short leave/overall leave - less than country average of our locations <ul style="list-style-type: none"> • Norway: 4% • China: 4% • Denmark 4% 2. Zero accidents and work related ill health 	<ol style="list-style-type: none"> 1. Levelized cost of hydrogen at USD 1,2 pr.kg (assuming USD20/MWh) 2. Reduce CO₂ emissions with at least 1,5m tons annually (equals approximately 350,000 cars) from our installed production capacity 	<ol style="list-style-type: none"> 1. >1GW installed global production capacity by year-end 2023
Target date	<ol style="list-style-type: none"> 1. Annually (2023) 2. Annually (2024) 	<ol style="list-style-type: none"> 1. 2022 2. 2023 	<ol style="list-style-type: none"> 1. 2023

Stakeholders and stakeholder engagement

Sustainability is a key issue of operations. This includes the Board of Directors, the executive management and throughout the entire organization. The sustainability report for 2021 is HydrogenPro's first report of its kind, including the stakeholder and materiality assessment. Representatives from the Board of Directors, executive management and key personnel from the organization have worked together to identify and evaluate all potential stakeholders of the Company. Please see further details in the stakeholder matrix.

Stakeholders and stakeholder engagement is a top priority at HydrogenPro. As a developing company in a major industry, being one of the potentially most sustainable and contributing technologies to the green energy transition, stakeholder views, impacts and contributions are an integrated part of the goals and strategies of our Company. We engage with a wide range of stakeholders where we have our business today, and where we seek to build strategic relations for the future. It is important to us that we engage with naturally and dedicated, and maintain good relations with our stakeholders. Both our internal and external stakeholders' voices are heard and listened to. We engage to be transparent, create a sense of contribution to the development of the Company, and to evaluate and initiate actions where we are aware of potential negative impacts.

During 2021, we engaged with our stakeholders on what they found most relevant regarding the development of HydrogenPro. The views and interests from our stakeholders are considered when defining our material topics and focus areas and their potential positive and negative impact on the economic, environmental, and social (including human rights) dimension. The topics were identified, evaluated, prioritized and addressed in our assessment. Strategic initiatives were assessed and proposed for execution in 2022. The process of

our stakeholder and materiality assessment is to be developed until the next reporting period to deepen the insight and engagement of our stakeholders.

Employees

Our employees are the core of the Company being the single most important contributor to our growth and target achievements. We value and encourage an open, transparent and "we-can-do" culture centred around delivering quality. 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. The Company had 20 direct employees at the end of the financial year, whereof three women and 17 men. The Company had no accidents or injuries of staff during 2021 and sick leave was 0.9%.

Investors

HydrogenPro focuses on generating profitable growth and creating shareholder value. We engage continuously with our shareholders to encourage an open and transparent dialogue based on the principles of equal treatment of all shareholders. Sustainability and shareholder value creation go hand-in-hand, and we sincerely believe that the integration of sustainability in our strategy will result in value creation for our shareholders.

Customers

By delivering high quality and continuing to develop high-value solutions, we engage continuously with our customers. Thorough engagement and involvement we develop products above customer satisfaction while having sustainability and green energy as a key value. Customer involvement is crucial to further enhance efficiency and reduce energy input needs.

Suppliers

We aim for carbon neutrality in our supply chain set-up where strategic initiatives regarding fabrication, sub-suppliers, construction and assembly, and service operations are

sustainable. HydrogenPro engages actively with business relations in the supply chain about fundamental principles as local job creation and suppliers, short transport distances, no use of noble metals, no environmental harmful materials, business relations with carbon neutral commitment, emission reduction plans and the use of renewable energy. Supply chain involvements, agreements, audits, and qualification processes are continuously monitored, evaluated and revised accordingly.

Local communities

We are actively working together with local communities where HydrogenPro has a presence, on how to best manage material topics and have a positive impact on society, people, businesses and the environment. We engage through dialogue and collaboration with local universities and educational institution, hiring local employees and using local suppliers where suitable and possible.

Governments and regulators

We engage with governmental and regulating stakeholders through extensive dialogue regarding engineering, manufacturing and assembly facilities and projects to make sure all qualifications, certifications, and procedures are met, especially pertaining to waste and water management. We also ensure dialogue with stock exchange, tax authorities, and other relevant regulating bodies regularly to be transparent and compliant, including anti money laundering.

Material topics

The most prioritized material topics with impact on the economic, environmental, social and people dimensions are:

Technology development and efficiency

Technology development will increase efficiency of the production facilities, reduce energy needs and create more value to end-users. This can generate higher sales and thus growing the Company and the need for more employees, and ultimately a financially stable employer. It can generate return on investment to shareholders and reduce CO₂ emissions- and footprint, and hence reducing the need of fossil-based energy sources.

Manufacturing and assembly facilities and scale-up possibilities

Our assembly facilities and scale-up possibilities in Norway, Denmark and China are potentially high-impact economic, environmental, and social topics. We locate our operation primarily in well-established industry parks or existing facilities rather than building new facilities or breaking grounds to scale-up. The facilities we use are compliant with local legislation regarding health, safety, and environmental standards, and are subject to annual inspection by local authorities. We build robust spill-protection, water recycling and safety barriers. We train and develop our employees and make sure our production and waste management are compliant with local legislations and well managed through our management system.

Value chain

We are working every day to ensure a resilient and -high-quality value chain of suppliers, aligned with our operation- and scale-up needs. We seek cooperation and control over material availability, prognosis of material needs and develop counter initiatives in case of bottlenecks. The impact of

the value chain on the economic, environmental and social dimension is potentially severe and we will continue working to reduce or remove negative impacts. HydrogenPro continues to engage with the value chain to increase sustainability matters as well as providing efficiency, resilience and high-quality deliveries. There could be potential risks in our value chain, especially in regions where we have limited knowledge or insights into sub-suppliers and the very origin of the raw materials. Even though we have strict routines for supplier screening, including social and environmental criteria's, our current reach of authority is limited. Our goals for the coming years are to develop our ability to influence suppliers and sub-suppliers with focus on anti-corruption, human rights, forced- and child labour.

Project execution and performance of technology

High quality project execution in relation to performance and proof of concept is what we target and work for. The electrode technology developed in Denmark will be full-scale basis. This will be part of the validation program conducted together with Mitsubishi Power in connection with Mitsubishi Power's purchase order for the world's largest single-stack electrolyser system, to be in operation close to our Headquarters at Herøya, Norway.

Energy management

Through HydrogenPro's technology, it is possible to operate large-scale hydrogen production facilities with lower energy consumption compared to alternative technologies. The reduction in energy input to achieve required output is crucial to lower operating expenditures for customers and its overall energy impact, making our products and solutions sustainable and making a bigger impact on the global transition to green energy.

Knowledge and expertise

HydrogenPro is a company working with high-end technology, engineering, manufacturing and assembly. To scale up the Company and reach Company goals, having expertise and the right knowledge available will be mandatory. We have continuous focus on scaling the Company's access to talent and experienced resources and can report a growth in employees of approximately 75% in 2021 vs. 2020. In 2022, we plan to hire more resources, growing at our existing locations and establish new locations to grasp attractive opportunities and achieve our strategic focus on local operation and employment.

Occupational health and safety

It is important for us to have a safe working environment, employees, and a value chain with HESQ awareness at the core. Parts of our manufacturing and assembly operation is to work with hazardous and chemical materials, which represents a potential risk. We conduct training and knowledge sharing to increase awareness and we have clearly defined procedures to reduce the potential risk and to continue to build safety awareness into our company culture. Any potential or actual incidents are evaluated and followed up according to our management system routines. When deviations or potential improvements are identified we seek to swiftly implement required initiatives to converting learning into practise.

Zero carbon solutions and climate risks

The core of HydrogenPro is our technology that ensures high efficiency in green large-scale hydrogen production. The production of green hydrogen itself has zero carbon emissions. Furthermore, it is a proven technology that is capable of transforming higher carbon emission energy production to a greener alternative. Green hydrogen production is at the core of the green energy transition and will be crucial for reaching the Paris agreement and global climate targets. By providing sound alternatives to fossil energy production, we are directly

linked to the climate change, and we are highly motivated to mature the hydrogen market to accelerate the energy transition, and thus protect the planet.

One of the most significant milestone developments from 2021 to 2022 is the established presence in China the acquisition of a fabrication facility. The Chinese entity is expected to be established in Q2 2022. We are not obliged to include the entity for the 2021 sustainability report, but we have considered the possible potential negative impacts in the 2021 assessment to prevent and mitigate the potential risks.

The 2021 sustainability report is our first sustainability report and first dedicated initiative to be open, transparent and predictable regarding our efforts within sustainability. For the coming report period of 2022 we have a clear target of conducting research and assessments to define how we can implement actions to further prevent or mitigate potential negative impacts, and to manage potential positive impacts in a structured approach. We have summarized our material topics in figure 1. The assessment is based on the current situation, and we acknowledge, that the material topics may change as we grow in size and capacity, being able to influence our surroundings at a larger scale.

During 2021 we engaged with our stakeholders and monitored our potential impacts on economic, environment and social topics, leading us to implement a high-quality management system, achieve ISO 45001 and 9001 certifications and initiating employee- and supplier development programmes.

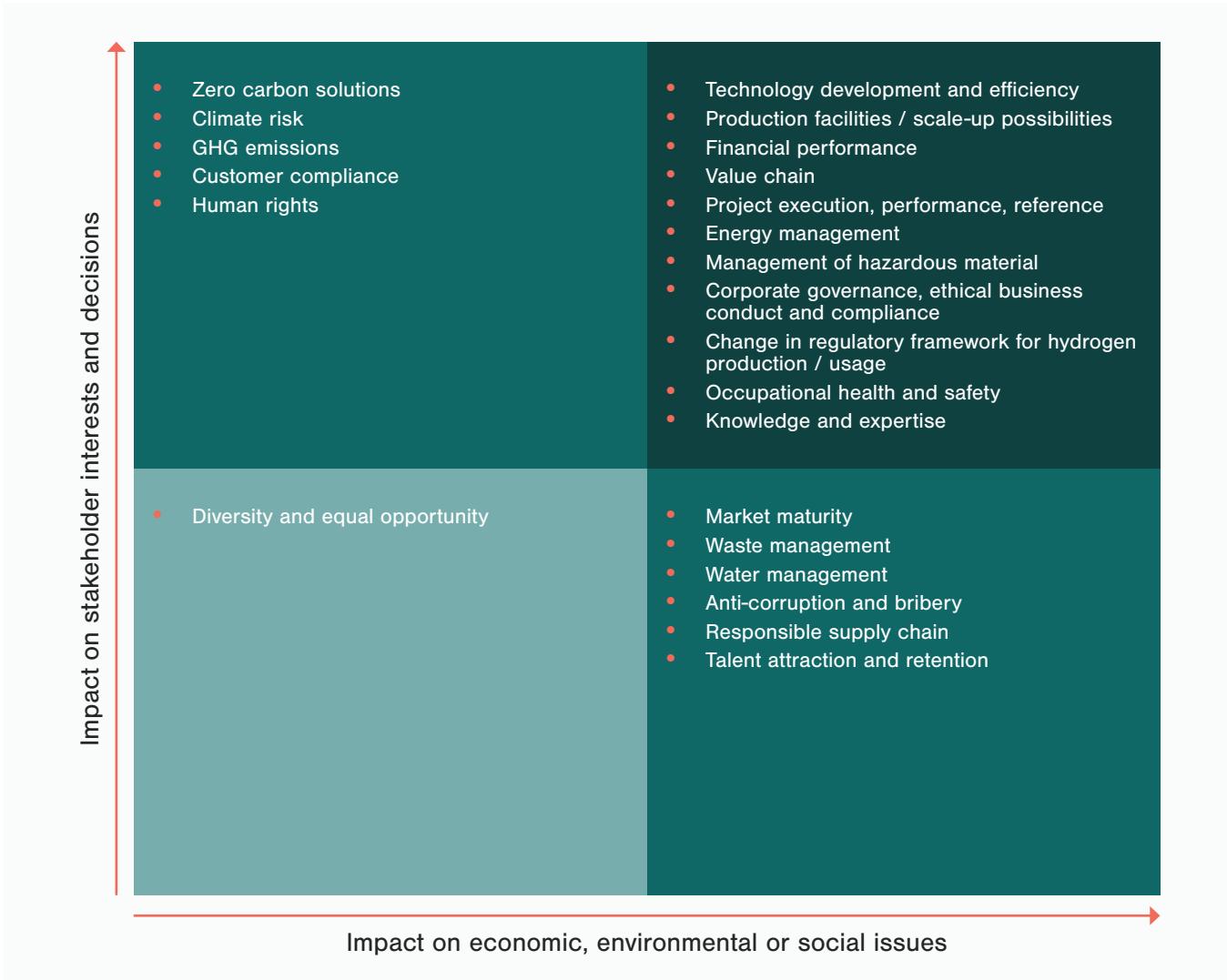


Figure 1: Materiality assessment

Local stakeholders

Our local stakeholder engagement creates value for both company, employees, and communities. All operations in 2021 engaged with local communities in appropriate manners. Local executive management evaluates and initiates local stakeholder engagement and report back to the Board of Directors.

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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, education and at the same time contribute to our research, development (R&D) and operation. Here we engage with the university to provide insights into the kind of knowledge and expertise we require for our operation, and how we can contribute to the development of local talent. In relation to our project at Herøya, we build an experienced and talented engineering environment which has the potential to spur local employment. Our policy is to collaborate as much as possible with local vendors and suppliers, but certain materials cannot be sourced locally, for example chemicals needed for R&D and electrode production.

At Herøya, we engaged with local communities and stakeholders conducting assessments before we established a hydrogen production and hydrogen filling station outside of the industry park. We consulted with the property owner and affected stakeholders as well as a third-party classification services agency to identify any concerns. We made certain to mitigate potential negative impacts on the environment and made initiatives to remedy the potential risks. The station received the necessary approvals and is now in operation. We engage with the local university, University of South-Eastern Norway, Faculty of Technology, Natural Sciences and Maritime Sciences, regarding research and development projects.

Our commitment and engagement with local communities build on our culture of caring for health, safety and quality operations. This will be of outmost importance for us as we continue to in 2022. We will continue to engage with local communities, stakeholders, universities, and vocational schools to collaborate with our surroundings and to build competitive business operations.

People / Social

People

HydrogenPro aims to become a world-leading provider of alkaline high-pressure electrolyser technology plants and solutions to meet the highest standard for safety, reliability and long lifetime. We value diversity in our team at HydrogenPro and believe this is key factor to reaching our strategic ambitions and creating shareholder value. Our recruitment policies are inclusive irrespective of gender, sex, ethnicity or anything else. It is designed to guide our recruitment towards reaching our strategic goals and ambitions for the Company. However, we acknowledge that our rate of females is below our long term-objective, coming in at 15% for 2021. Looking back at the scale up of the Company and despite our strong focus on diversity, the availability of potential candidates with in-depth hydrogen technology and industry experience and knowledge is limited within our industry and that has affected our statistics. As we ramp up our recruitment initiatives to build the Company for the future our ambition is to aim for 25% females by 2025. We will engage with local universities and educational organizations to encourage females to pursue a career within the hydrogen industry, to increase the diversity in the hydrogen industry.

by 2025

25%

of our workforce shall be female

After our listing on the stock exchange and acquisition of Advanced Surface Plating in Denmark, we have intensified recruitment in Norway and Denmark. Eleven new employees started their roles at HydrogenPro in 2021, most in senior positions including executive management. In Denmark, we added six employees to our operations. Through our collaboration with Aarhus University, three Master students from the Department of Mechanical & Production Engineering and the Department of Biological & Chemical Engineering studied with us on HydrogenPro R&D projects in 2021, contributing excellently to our working environment and our operation. We experienced no turnover among our permanent employees in 2021 whilst parting ways with two part-time employees in total.

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, and we are competitive in attracting talent and experienced resources to the Company. For 2021 our annual total compensation ratio for the highest paid individual to the median annual total compensation for all employees was 1,99. The percentage increase in compensation for the median was 2,9% and 0% for the highest paid for the reporting period. To calculate these numbers, we used salary per 31.12.2021 per employee and kept the highest paid individual outside of the median calculation. For percentage increase, we used the employees within the organization as per 30.04.2021 and compared the same employees per 31.12.2021. The remuneration ratio of men to women is 1,37 in total.



People governance

People and people capabilities are at the centre of value creation, culture, and performance at HydrogenPro. 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 Management system, TQM, and the personnel handbook. All employees are given information and training in how to locate the systems, find information and to be compliant. The procedures established, along with the ISO certification, guides employees to implement the organization'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, throughout routine team-meetings, one-to-one dialogue between the employee and their closest manager and on the Company's intranet. Through the same fora, and information channels, the employees can seek advice and discuss the topics as desired and required. The personnel handbook provides a clear instruction on how to address and report critical concerns to the executive level and Board level through an established whistleblowing policy at HydrogenPro. Through onboarding process and information provided annually, all employees are encouraged to report incidents of concern as an important tool to develop the Company structures, performance, and culture. Issues can be reported anonymously, and the matter will be handled at Board level. For the reporting period, there were no reported incidents of concern.

At HydrogenPro there are no employees covered by collective bargaining agreements. We value and inform our employees about the possibilities to participate in unions and collective bargaining agreements and believe it can be of high value to the relevant employee and to the company as a whole. Due to this, we do not determine employees working conditions and terms of employment based on collective bargaining agreements that cover our other employees or based on collective bargaining agreements from other organizations. When operating in countries where the right to freedom of association and collective bargaining is limited through local legislation, we will inform our employees about their rights and engage with employers to spur support and motivation. Neither HydrogenPro nor any of our employees are members of collective bargaining agreements or interest organizations for companies; therefore, we ensure that we are compliant with local legislatures regarding potential operational changes. We are compliant with The Working Environment Act in Norway and local legislatures in the other countries where we have operations.

Training and development

People are our core resource at HydrogenPro, and we will always have the health and safety of our employees as a strategic priority. During the first half of 2022, we will conclude our competency and development mapping of all employees which will be structured in our management system. This mapping will be the foundation to ensure a structured approach to training and development as team and as individuals and will be included in the annual employee review. As an example, all employees will go through first-aid training in 2022 to enable early response to health and safety issues. Along with our growth in employees, we will seek to develop our occupational health services and evaluate potential offerings for implementation in 2022. 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 services functions.

The development of our personnel is important to ensure a sustainable and increasingly educated work force. We conducted management systems training for all our employees during 2021 at approximately two hours pr. person. Personnel related to electrical, hazardous and chemical processes conducted training over up to 36 hours pr. person, and our safety delegate trained specifically for the role in a 10-hour course. For 2022 we will conduct first aid training for all our personnel, adding to our focus on health and safety in our organisation. Furthermore, as we scale up, employees are trained both in Company general topics and in specific topics according to their role. A Companywide target is to implement our knowledge development and competency-mapping programme effectively monitor our development and better train personnel.

Planet / Environment

Organizations

As an important member of the global green energy industry, HydrogenPro values the commitment from its industry peers and the importance of collaboration to mature the hydrogen market and to develop the industry. Through collaboration, exchange of ideas, finding solutions and sustainable developments, we believe joined forces will achieve industry goals. HydrogenPro is member of several strategic membership associations in the hydrogen industry, and participates locally as well as globally through the European Clean Hydrogen Alliance, Green Hydrogen Coalition, and Norwegian Hydrogen Forum and Hydrogen network for Telemark and Vestfold (regional counties where HydrogenPro HQ is located). The hydrogen network for Telemark and Vestfold is a member of Industrial Green Tech and Green Industry Cluster Norway. By participating in meetings and network arrangements, company presentations and industry events, HydrogenPro manages to build strategic relationships, promote its business and technology and provide relevant industry information to the networks, and to the executive members of HydrogenPro.

As we are developing our Company and are formalizing systems and procedures, we will implement and adapt our ERP system to structure purchasing, supplier- and material management in Q2 2022. By adapting the system to consider sustainability matters, we will achieve better data insight and



management opportunities to achieve economies of scale and take actions towards greater sustainability in our value chain.

Recycling

Our technology can contribute significantly to the green energy paradigm and the transition towards a more sustainable energy future. Several components of our products can be recycled or taken into circularity, and we intend to make these measures available for our customers through training and documentation. This is a part of our strategy for carbon neutrality in our supply chain, by re-using steel elements in the electrolyser during overhaul. By implementing initiatives to use reclaimed and recycled materials in our products, at our offices, in our operation and at the end of our products' life cycle we make sustainability a part of our value chain and our culture.

Our containers that house our hydrogen projects at Herøya are 100% re-used, approximately 40% of all interior and furniture at our office in Porsgrunn is re-used and certain materials from our operations as water, lye, and steel components are recycled and re-used. Our production line in Denmark can recycle approximately 90% of all water, reducing our footprint on water consumption locally and minimizing the risk of any potential wastewater spill.



The project at Herøya made further developments in energy reduction initiatives in 2021 by installing the ability to re-use cooling from a collaborative party at Herøya Industry Park. Instead of purchasing and consuming new cooling, thereby increasing the energy consumption, we work towards higher utilization of existing resources of local business relations, as well as re-use and increased circularity in our value chain.

We moved into a more suitable office space in Porsgrunn, Norway during 2021, making the most of what we already had of equipment and inventory, thereby re-using approximately 40% of all furniture and equipment from our previous office. 100% of our non-hazardous waste except residual waste was sorted for recycling in 2021. Our intentions for 2022 is to implement a structured approach to monitoring waste as well as an updated waste management policy to address impacts and circularity measures from our operations.

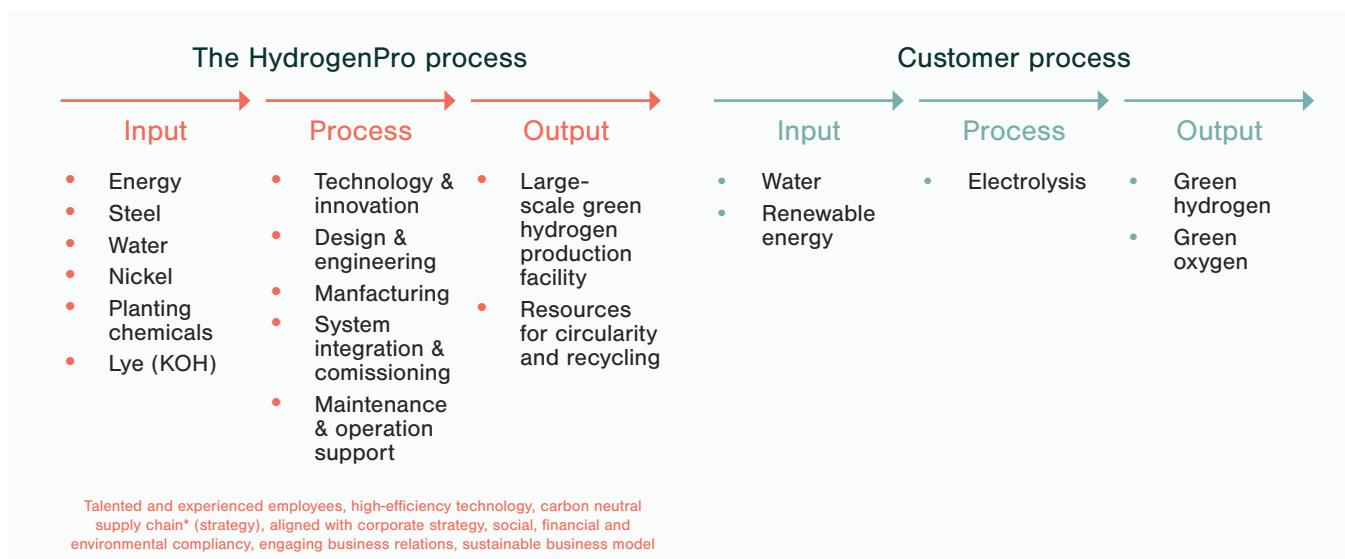


Figure 2: Input, production and output

we recycled
40%
of all furniture and equipment from
our previous office

Waste management

We ensure compliancy with local regulations and legislatives including permissions to operate our facilities and manage the materials for operation at all locations. This includes governmental environmental approval where we and a third party evaluate all plans for production, all substances, hazards, materials, chemicals and waste management systems to prevent spills and being able to manage the waste according to local regulations. Our strategy is to optimize our waste management for us and our supply chain, making the most of the resources we source and readying the waste for recycling and safe handling.

Where we are not the sole tenant, we align our waste management according to property owner procedures, sorting our waste accordingly. The waste we create from our offices is mainly paper, cardboard, plastic, and residual waste. From our operations, we can add glass, steel, nickel, lye, gas and chemicals. In our production process with example from our Herøya project, our electrolyzers uses lye (30% KOH) as an electrolyte in the hydrogen production process. In the case of a leakage in the electrolyser, a volume of lye may leak out of the unit having a negative impact on the local vegetation and soil. However, the container is designed to contain a full volume of the leaked lye within the facility itself to mitigate such a scenario, thereby minimizing such an incident at the project and optimizing safe waste management. Used lye (30% KOH) after a lifetime of operation may be considered hazardous waste, and is captured, contained, and sent to a recycling facility for safe disposal.

All hazardous, explosive and special waste are sorted and managed according to local and special handling regulations. Non-hazardous and recyclable waste are manually sorted and recycled by local waste management companies.

Energy and emissions

Energy management is crucial for our operation, as a company in the green energy industry delivering efficient hydrogen technology and having energy management as a strategic parameter of value creating. Our supply chain strategy states that we aim for utilization of renewable energy and we engage strategically with our relations to execute the strategy for the Company. As an example, we have installed photocells at our offices, which turns off lighting when we are not present, we monitor our energy consumption closely, and limit usage when possible. We will continue to implement energy management initiatives at our locations and projects throughout 2022. The majority of energy consumption within the organization including Norway and Denmark comes from renewable energy sources. Our electricity in Norway is 100% renewable and in Denmark the grid mix is approximately 66% renewable. In 2021 we had approximately 350 m² office space and 900m² project area in Norway, and a combined office, manufacturing and assembly facility of 1500m² in Denmark. Our total energy intensity ratio of kWh per m² was 122 and 80 for Norway and Denmark, respectively. These factors combined summarizes our scope 2 emissions to a total of 7,2 tons CO₂ equivalents. Looking at our greenhouse gas (GHG) emission intensity rate, we use our employees as denominator. For 2021 our GHG intensity rate was 716,5 kg per employee.

We expect increased activity and energy consumption for 2022, but we will work towards a greener grid mix, reducing our CO₂ emissions. The data for the reporting period of 2021 is our first monitoring and calculations. We will monitor the intensity ratios for Q1 2022 and set initiatives to reduce the energy and GHG intensity ratio and implement initiatives to increase our green energy ratio in total. For the next reporting period, we seek to identify scope 3 elements that will be viable to report on.

For the reporting period of 2021 it is not identified any consumption of energy outside of our organization that is measurable and material for disclosure in this report. For the reporting period of 2022, we will be able to identify at a greater range the potential energy consumption outside of the organization, as we will deliver hydrogen production technology to customers and project partners. We will implement measures to monitor consumption through stakeholder dialogue and reports.

We will use the sustainability report for 2021 as baseline for HydrogenPro. Entering 2022, we will set targets for energy intensity ratio and green energy ratio, as well as developing initiatives to improve our metrics. We have one of the most energy efficient hydrogen technologies on the market, reducing the energy consumption to produce hydrogen to an industry low. This is achievable due to our plating technology developed at our facility in Denmark. The increased efficiency will spur reductions in energy consumption, greenhouse gas emissions and make

the transition from grey to green large-scale energy production more affordable, and potentially lower the end-user price for hydrogen.

Our ambition is to have installed a minimum of 1 gigawatt of green hydrogen production facilities by 2023, contributing to a reduction of over 1,5 million tons CO₂, or approximately 350 000 automobiles on fossil fuels.

Water management

Water is one of few critical elements required to produce green hydrogen, and also to produce the technology needed for hydrogen production. Hydrogen generation from electrolysis requires water for electrolysis and for cooling of the process itself. Our production facilities engage with local water suppliers and connect to the existing supply if possible, to reduce unnecessary water transportation or groundworks. By having only one operation in 2021, in Denmark, our water source is mainly ground water, using 125m³ in the reporting period. Our offices in Norway consumed 23 m³ in total.

Our water usage is connected to the scale of production. While we expect our water usage to increase, we implement initiatives to re-use and recycle water. Our location in Denmark installed a water recycling facility in late 2021 which is able to recycle more than 90% of the water from our production, including a separation of waste managed according to our procedures and environmental regulations. The water at the Herøya project is provided by the Industry Park (HIP). There are two cooling water (CW) lines (one for CW supply and one for CW return) between the HIP and our hydrogen installations. The project receives cold CW and returns hot CW. Demineralized water is produced within the facility using the Reverse Osmosis system and Mixed bed. Environmental Impact Assessment (EIA) directly related to water has not been assessed as the water used by the Hydrogen generation process is in a close loop connected to the HIP cooling water network.

We have rigid routines for water management and handling and specific wastewater routines which enable us to control our water usage and potential discharge in a minimal risk environment. A similar water recycling installation is planned for our location in China. To prevent any leakages into the environment our floors is designed without connection to the sewage system, preventing discharge. We have not registered any discharge in 2021.

Our environment certificate and approval for production require regular risk management assessments regarding potential negative environmental impacts. These assessments will be conducted according to local regulations and requirements for operation.

Biodiversity

HydrogenPro does not have any offices, manufacturing or production facilities in operation close- or adjacent to, protected areas or areas of high biodiversity value in 2021. All existing locations are in existing office buildings and/or established industry parks. There is no red list species and national conservation list species with habitats in areas affected by operations. In April 2021 we announced our partnership with Kvina Energy Park as co-owner of Kvina Energy. The location of the land in Kvinesdal, Norway, has the potential to provide access to green energy sources and easy connection to transportation by road, sea and train, making the strategic position available for sustainable transportation choices. We are currently working on regulation of the land and pre-planning of the project.

Climate risks and opportunities

We are a part of the climate change and the global pursuit to stagger rising temperatures, ocean levels and the fight to reduce GHG emissions into the atmosphere. Our objective is to have the most cost-efficient green hydrogen production technology to make it available to industry participants, lower the barriers for the green shift in energy production and to contribute to the global CO₂ reduction. By reaching our goal of minimum 1GW installed green hydrogen production capacity, we can reduce minimum 1,5 million. tons of CO₂ by replacing brown/grey energy sources. Our contribution matters to the environment and the environment matters to us.

By assessing the potential climate risks and opportunities from the Task force on Climate-related Financial Disclosures (TCFD) framework, we have identified the following material topics with the potential largest impact on short to long-term perspective on a scale from 1-10 where 1 is not relevant and 10 is very relevant for the Company:

Climate risks

Climate risk (1-10 where 1 is not relevant and 10 very relevant)	Relevance (applicability)	Impact (self-perceived potential impact)	Knowledge (self-perceived knowledge level)
Substitution of existing products and services with lower emissions	6	5	4
Increased costs of raw materials	8	7	4

The industry we operate in has exposure to climate risks as for any industry, and these two are the most material risks identified through the TCFD assessment.

According to the reporting framework, the potential substitution of existing products and services with lower emissions options can have financial impacts on our operation including for instance reduced demand for our services, higher costs to deploy new processes and potential retirement of existing assets. However, the demand for green hydrogen is on the rise, expecting a global demand of 850GW by 2030, rising to 3600GW by 2050¹, escalating the potential growth of the industry and of HydrogenPro.

A more recent scenario, in light of the developments in Eastern Europe in Q1 2022, is the increased costs of raw materials. There are relatively few components in our operation, but some of them are exposed to fluctuations in the commodity prices. To address this situation, we will engage deeply with our suppliers to build a resilient supply chain with predictability and longevity.

Climate opportunity

Climate risk (1-10 where 1 is not relevant and 10 very relevant)	Relevance (applicability)	Impact (self-perceived potential impact)	Knowledge (self-perceived knowledge level)
Increasing prices of GHG emissions	6	6	4
Development and/or expansion of low emission goods and services	6	6	4
Development of new products or services through R&D and innovation	7	7	5
Access to new markets	7	7	6
Use of public-sector incentives	7	7	4
Participation in renewable energy programs and adoption of energy-efficiency measures	7	7	4

1. Global Hydrogen Review 2021 - Analysis - IEA

Hydrogen is maturing and the market developments, inspiring industry shifts from fossil energy to green energy, paves the way for HydrogenPro. As customer demand is on the rise, we scale our business, develop market opportunities whilst building a strong pipeline and we execute production projects. From our TCFD assessment, we have several opportunities in the short- to long-term perspective. If prices of GHG emissions continue rising, with the EUA (EU ETS) rising 85% from 1st March 2021 to 1st March 2022 with a high on 96,93 on 8th February 2022¹ is a market-based mechanism, which means that the carbon price is determined by supply and demand of allowances) it can be a motivational factor for customers to shift from brown/grey energy to green energy.

Furthermore, the development and/or expansion of low emission goods and services, development of new products or services through R&D and innovation, access to new markets, use of public-sector initiatives, and participation in renewable energy programs and adoption of energy-efficiency measures, are all positive opportunities for the Company. We believe the markets and opportunities will evolve and we intend to be a major part of the industry with a strong strategic position.



1. <https://ember-climate.org/data/carbon-price-viewer/> - The EU ETS

Prosperity / Profit

Investments and projects

The infrastructure investments made in 2021 is limited to minor upgrades to the electrical cable for the facility in Denmark, initial investments in China, moving to larger offices and development of the project at Herøya, both in Norway. In Denmark, we built and finalized our plating line, upgraded the electrical cables and installed at the same time a future upgrade possibility by adding a cable gate in the same trench. All work that required excavating was repaired, grass and trees were replanted.

Our project at Herøya continues to make progress in 2021 and further project investments were done. To further develop, test and commercialise our technology and products, we set up a hydrogen production- and supply installation in relation to a local fuelling station outside of Herøya Industry Park. This set up consists of two containers with hydrogen production facility, totalling 1MW, dedicated to provide hydrogen to the local fuelling station. In 2021, we conducted a third party risk and environmental analysis before normal ground works. The installation is fully compliant with environmental and production legislations, including preventive- and safety systems to reduce the risks of any spills, leakages, and other consequences should the production fail.

In April 2021 we announced our investment for a 50% stake in Kvina Energy. This is a long-term development project with the plan to set up and operate a new green hydrogen plant. As of early 2022, we are in the pre-preparation phase where we are in the process of applying to the Norwegian government to regulate the required land for the operation and licenses to operate. This is a long-term project where our expectation is an annual production of around 100,000 tons of green hydrogen, with potential CO₂ reductions estimated at 190,000 tons per year provided that such hydrogen volume is used to replace hydrogen derived from fossil sources.

The scale up process of the manufacturing and assembly line in China is progressing according to plan, and we engage heavily with local communities and governments as well as strategic partners to ensure that we fulfil our commitments and are compliant with local legislations. We are engaging with local stakeholders to mitigate potential environmental and social impacts. The positive effects pertaining to local employment, local suppliers and local educational services are of strategic importance to us.

Products

All HydrogenPro products are assessed regarding health and, safety both in production and for our customers. We follow local product and marketing legislations, and our products, procedures and documentation are CE marked. Our assessments have identified potential risks and hazards which we have documented, improved and mitigated, making our products certified and approved for commercialization. We provide thorough documentation on how to operate and conduct service on our products. Parts and components that need changing are evaluated for recycling and circularity.

Our ambition is to include detailed sourcing and quality documentation for all raw materials and components of our products to be included as part of our customer documentation. Our customers own all equipment and products delivered by HydrogenPro, and it is our ambition to provide our customers with sufficient information on how to conduct sustainable service, product treatment and criteria for recycling and circularity. During 2022 we will evaluate how this can be achieved in a customer-oriented process with sustainability and longevity as value adding initiatives.

Suppliers

In 2021, we made significant investments into our partnership in China, increasing our global presence and strategic position for value creation from 2022 and onwards. For all our locations, we seek to engage and conduct business with local suppliers and local communities according to our strategy towards carbon neutrality in our supply chain. By analysing 80% of transaction volumes for HydrogenPro in 2021, we discovered that approximately 56% was sourced local to our locations, or within one hour drive from our locations. For our entity in Denmark approximately 84% of our spending has been through Danish suppliers. This is very positive and in line with our strategic focus on local suppliers and short transportation distances, lowering the potential GHG emissions significantly in contrary to if we sourced from remote suppliers.

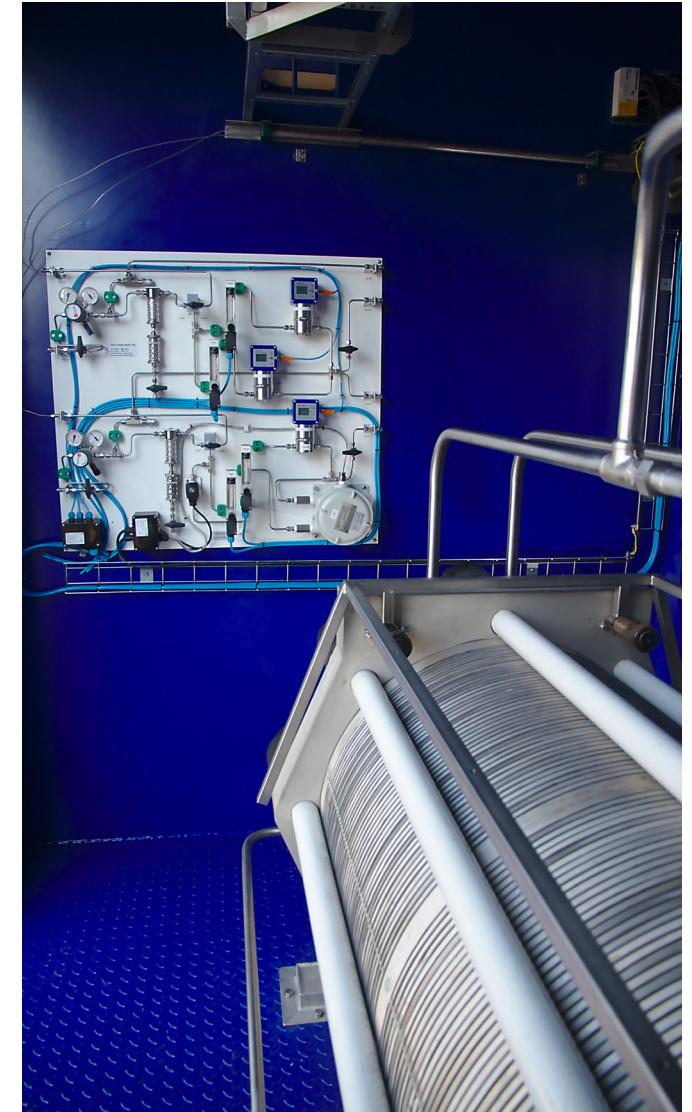
We deem this to be positive contributions to our local communities, and compliant with our business conduct and strategy. We will continue our local focus on engaging with local suppliers and vendors to develop our positive impact further. Our planned upgrades to ERP and purchasing system in 2022 will provide further information about materials and sub-suppliers for the next reporting period.

In 2021, we intensified the supplier management initiatives, including development and qualification of new suppliers to respond to supply chain challenges, ensuring a more cost-efficient and flexible sourcing, in response to current supply challenges worldwide. Also, long-term strategic partnerships have been and will continue to be strengthened, through agreements and continuous evaluation of supplier's base. These initiatives will be continued in 2022 and be incorporated as a quintessential strategic part of the value chain development and sustainability.

We have a strict supplier screening procedure and commitment to evaluate our suppliers to be compliant with ISO 9001 and our management system. In parallel to assessing

and upgrading our systems, we categorize our purchasing for our Norwegian entity into two categories for 2021, "project" and "indirect". Material to us, to the potential impacts on environment, social and economical is the category "project". In the reporting period, we had 47 suppliers whereas 13% were screened and documented according to our supplier screening containing social and environmental considerations. All suppliers provided project related products and services for our Herøya project. Our ambition for 2023 is to have 100% of all new suppliers in this category, across Norway, Denmark and China, screened. We will operationalize our ambitions starting early 2022, and we will conduct a materiality- and impact assessment, considering the strategic potential in each existing supplier. The most material existing suppliers will be screened to increase our potential to mitigate potential negative impacts and engage with the suppliers to optimize the impact of our value chain.

Assessing our supply chain and vendors, we acknowledge that there is a particular segment in which negative social and environmental issues can arise, chemicals. We do not have sufficient insight into our sub-suppliers of chemicals, engaging mainly with our suppliers. The chemicals purchased is used mainly in our production process, where we have implemented procedures and waste management routines. The origin of the chemicals, how and where they are sourced is not familiar to us to date. To remedy this situation and to mitigate and reduce the risks of negative impacts, we will seek in-depth knowledge about and engage with our suppliers to understand the original source of the chemicals as we scale up our operations. Through our supplier screening criteria, supplier engagement, and supplier code of conduct, we ensure more knowledge to be evaluated and used in our continuous development of our supply chain focusing on sustainability. We will not conduct business with suppliers who cannot document their environmental certificate, and being compliant with local laws and legislations.



Customers

During 2021 we have seen a substantial change of stakeholder mix on the customer side. A great portion of the approaches has been from typical project developers and smaller companies trying to monetise on availability on electrical power or a business case for providing hydrogen to a potential. Very often these has companies that are in a prospect/idea stage, and hence far from any FID, financing or project realisation. In addition, there has been several US and EU funding schemes under planning that has attracted larger players from the utilities and energy market, however funding and materialisation has been with long and unpredictable horizon and projects has tended to slide and be halted.

During second half of 2021 the market totally changed direction. The project tenders within the green hydrogen market became dominated by the majority of the energy mayors (previously referred to as global Oil &Gas companies) that have engaged in a vast number of projects on the hydrogen arena. The purpose of their engagement is a very clear determination to start a de-carbonation of their own industries based on new announced governmental decarbonisation regimes together with their own ambitions, in addition they all are poised to take a position in the energy transition from fossil to green energy as part of their future product portfolio.

We also see that the political environment is ramping up their incentives to speed up the energy transition, also being more directly in enforcing more tangible and predictable funding schemes. The continued rise in gas prices has reduced the big difference between the green and the grey hydrogen, and hence changed the business case of stepping into the energy transition sooner than first expected. The latest development on the global gas market has also shown the volatility in the demand and availability and pushed the development even further, especially in countries without own natural carbon resources. India is an example in such respect and has launched a national plan for stepping into the green hydrogen energy environment immediately. HydrogenPro was during 2021 approached by one of the leading companies in India for initial analysis of establishing manufacturing and assembly of large-scale green hydrogen production facilities for the Indian marked.

We experience market developments where large energy mayors that have fixed plans for their refineries were hydrogen is an important product into their production makes enquiries about potential collaboration projects. The trend is to plan for green hydrogen plants that can be set up in connection with these refineries for blending a certain percentage of green hydrogen into the massive volume of grey hydrogen used today. First step in such decarbonisation process will typically reduce the carbon emissions with 10-20 percent with an

ambition to increase this part gradually over time. Even these volumes at start are equivalent to green hydrogen productions by 100+ MW and upwards, -meaning large-scale production from the start and very suitable for the HydrogenPro concept of electrolyzers.

Lately we are also experiencing a huge growth in projects utilising green hydrogen for producing ammonia, steel and synthetic fuels substituting carbon-based hydrogen and coal, and by this reducing or potentially removing all emissions. We have great expectations to the use of green hydrogen as fuel for future powerplants and for blend-in in the natural gas being piped to both consumers and industry where it will directly reduce the carbon footprint. With above mentioned customers and market segments we are in dialog and sales processes for production equipment from 100+ megawatt size and up to gigawatt size systems during the implementation of the growth plans for their own operations.

We strongly believe that HydrogenPro is positioned strategically to be a supplier for many of these large plants within these various industries, and they will all provide enormous volumes of saved emissions since they based on being fuelled by renewable electricity.

Governance

Corporate sustainability governance

The sustainability report for 2021 is HydrogenPro's first sustainability report. The purpose with the reporting structure is to provide both financial and non-financial information to HydrogenPro's stakeholders.

For the reporting period of 2021, the Board of Directors encourages the importance of being transparent on the development and strategic progress of HydrogenPro in 2021, keeping momentum and connecting sustainability and financial performance into the next reporting period. The Board of Directors and the executive management has been involved in the process leading up to, and throughout the development of, its first sustainability report.

Sustainability is a strategic priority, embedded in both the core purpose of HydrogenPro and the strategy of how the Company will reach its goals. To ensure alignment, strategic focus and the development of a sustainable business culture in the Company, the Board of Directors are involved in the stakeholder and materiality assessment determining prioritized topics and identifying potential negative and positive impacts its business may have on the environment, its people, prosperity and social matters. Material topics and information relating to sustainability matters including the sustainability report, are verified and approved by the highest governance body at HydrogenPro throughout the reporting period, and before the Annual Report is published.

Compliance

We value our people, our business relations and our stakeholders, and we are compliant with local laws and legislations wherever we operate. It is an important value for us that our people have a safe and healthy work environment and that all our employees have the freedom to be part of organizations, associations and collective bargaining. In 2021, our employees selected a chief safety representative and we

will institute a "Working Environment Committee" when we surpass 50 employees which is according to local legislation.

Our Code of Conduct reflects the freedom of association and collective bargaining by individuals: Quote "HydrogenPro shall respect the right of workers to organize in any labour union and to negotiate collectively". Our General Terms and Conditions of Contract reflects the expectation of freedom of association as a requirement. When our daughter company in China is fully established, we will ensure that we follow local legislation regarding the right to freedom of association.

We will practise the same values and principles across all HydrogenPro facilities and operations, and we aim to inspire our business relations to share our views on human rights topics, child- and forced labour and freedom of association and collective bargaining organizations. We demonstrate this importance in Board and management meetings, as well as in operational meetings and business relation procedures.

We have a zero-tolerance policy for child- and forced labour and this is of outmost importance to us when we are building our presence in Tianjin, China. To address the situation, we will follow local laws and legislation, implement strict routines for employment with control routines before- and after employment to verify each individual and being compliant. We will mitigate our exposure by having thorough customer and supplier screening criteria, unannounced visits, and close follow-up of indications of violations of these issues. We will work closely with internal and external resources to monitor, track and execute controlled governance. Our monitoring and reporting will happen with monthly frequency to our executive management and according to local legislatives and local Governmental routines as required to operate a manufacturing- and assembly facility in Tianjin.

OECDs Guidelines for Responsible Business Conduct (RBC) is our anchor when evaluating and monitoring potential impacts

that we, or our value chain, might encounter. Through a new Norwegian law entering into force on 1st July 2022, Norway implements OECDs RBC. The Transparency Act requires companies to conduct due diligence according to the RBC and OECDs Guidelines for Multinational Enterprises and furthermore, make the due diligence report public available. Based on the financial statement and number of employees for 2021, HydrogenPro will not be directly affected by the Transparency Act for 2022. When the Company surpasses MNOK 70 in revenue and/or 50 employees, we are obliged to report according to the new law. To be fully compliant as we grow, we will conduct a compliance assessment during 2022 to build routines and incorporate reporting according to the Transparency Act.

Board and Management

The Board of Directors has the ultimate responsibility for setting sustainability targets and strategies as well as the management of sustainability matters and stakeholder engagement. Whereas the Board sets the direction, the executive management develops initiatives, ensures execution and reports to the Board on established KPI's. The executive management consist of CEO, CFO, CCO and CBDO. The Chair of the Board is not a senior executive in the organization. The HydrogenPro Board of Directors consists of five members, including the Chair. 20% of the board is female and 80% are Norway citizens.

The highest governance body and the committees of HydrogenPro are recruited and developed according to the nature, growth, and strategic focus of the Company. Relevant experience and knowledge are one of the most important elements as a growing company. The selection and recruitment of participants for the highest governance body and committees is conducted through evaluation of needed competences for the strategic period ahead and the required experience to reach Company development targets.

When evaluating candidates for the relevant positions certain stakeholder views are considered, along with the natural diversity criteria, impartiality, and independence. The Company follows the guidelines from the Oslo Stock Exchange and the Euronext Growth Exchange for the reporting period of 2021, with clear intentions of developing diversity and recruitment policies company-wide for 2022.

Sustainability matters regarding potential impacts on the economy, environment and people, including OECD's Guideline for Multinational Enterprises regarding Responsible Business Conduct (RBC), is ultimately the Board of Director's responsibility with delegated area responsibility to the executive management at HydrogenPro. Furthermore, the executive management is obliged to implement business area procedures and routines, including training and competency development. Certain areas of our operation, like sales, supply chain and operation, can be exposed to potential policy issues. To ensure compliance in conducting internal and external activities, responsible persons are required to embed the commitments across the value chain and business relations. Identified issues, in either team or executive meetings, are frequently reported to the Board of Directors.

HSEQ

Health and safety management system

Along with our growth and development as a Company and employer, we continue to build our strong culture of health and safety, always compliant with local laws and regulations. In 2021 we implemented our health and safety system, TQM and HydrogenPro AS became ISO 9001, ISO 45001 and ISO 14001 certified. Through the quality management system (TQM) we manage all procedures and routines that are implemented to ensure governance, code of conduct, safety, social and environmental standards and quality in all our operations. Our safety delegate is included in issues that might

arise and is routinely involved with the executive management to ensure transparency and involvement regarding occupational health and safety and the management systems at HydrogenPro.

All employees, including consultants, receives training in health and safety and have access to TQM, our HR system and our personnel handbook. Employees with roles that require certain qualifications, certifications and knowledge is developed accordingly before the job takes place. This is especially relevant for our personnel working with electricity, chemicals, hazardous and operational activities related to production of hydrogen. In 2021, personnel involved in operations and commissioning work have performed training in technical subjects related to ATEX, FSE (Electrical safety) for safe work and production.

Before activities that might include risks of injuries, spills, or other health related issues, we conduct and document a safety- and risk assessment with all relevant personnel. We monitor and follow up the activities and evaluate potential situations to build experience and knowledge in potential revisions procedures and management system. This includes "safety learning" in all operation meetings and that HSEQ is on the agenda at every executive management- and Board meetings. As an example, we experienced three minor injuries in our manufacturing in 2021. We used our management system to assess the incidents, evaluate and make improvements to our routines, to reduce the potential risk of new similar incidents. HydrogenPro did not have a health service agreement for our employees for 2021, but we supply additional benefit to employees through our insurance, an offer for private health service for diagnostics and treatments. Services are specified in the insurance information given in our electronic personnel handbook.

Identification of hazards/risks are done at different stages in a project/design. In the design phase, typically a new

design/plant will go through a third-party risk/hazard analysis, covering SIL (Safety integrity level), LOPA (Layers of Protection Analysis) and Risk assessment with scenarios relevant for specific design/project. Any type of incident and non-conformity shall be reported through the electronic quality management system (QMS). Based on severity different actions and mitigations will take effect. Serious incidents and/or incidents with high potential will be investigated based on MTO standards/guidelines. All workers have the right and obligation to remove themselves and others from situations believed to cause injury or ill health. This is stated in the Company policy and governed through law. When working at operational sites, or evaluating new sites for potential operation, we engage with risk- and safety parties for third-party assessments.

Our dedication to health and safety is a strategic priority and we work continuously to achieve operational excellence. This has been at the core since the early beginning of the Company, going from strength to strength, as we evolve and increase our operation. As mentioned, we have a zero-accident target, which is a company-wide ambition. For 2021 there has been three minor incidents or near incident related to work injuries, all with low severity. A minor cut from a knife (first aid case), resulted in changing procedures and changing of type of knife to be used for the operation. Substituting products to avoid cutting has been implemented as a part of hierarchy of control. We aim for zero incidents, and we will focus on monitoring and implementing initiatives to prevent accidents to occur in the future.

During 2021 we conducted a risk assessment for occupational health and safety based on the operation mainly being office and project work. This was conducted together with the safety delegate, representing the employees. During 2021 there was no reported cases or absence related to work related ill health.

As our business is engineering, manufacturing and assembling,

thus handling hazardous material, we are aware of potential risks. Our management system and HSEQ procedures and training will be important as we scale the Company and build presence in other countries.

For 2022, the Company will take advantage of the existing governance and management systems when building our presence in China. All employees will be evaluated and mapped according to job role, competency, and training. This mapping will govern how different job roles and activities is to be performed, including the requirements regarding health and safety. Our health and safety structure in China will be the responsibility of the Board of Directors and executive management including a dedicated health and safety officer.

Risk management

Internal control

Competency, experience, and formalized procedures create transparency, efficiency, and trust. Our financial and economic business area is responsible for implementation and evaluation of our financial internal control. We have well-established procedures for our processes including company-wide decision- and proxy matrix, clear division of tasks and responsibilities, a defined process ownership and a thorough risk management systems. To extend our control routines we have engaged professional service companies to support our accounting- and payroll processes, along with audit, tax- and other financial consulting services. This holistic ecosystem ensures timely quality reporting, with risks mitigated.

Corruption

Over time, HydrogenPro will increase its international presence. Today, we are located with facilities in Norway and Denmark, a project in France and will establish a presence in China during 2022. According to the Transparency

International Corruption Perceptions Index (CPI) for 2021, the majority of our activities are in countries ranked at 1, 4 and 22 place respectively, with China at number 66 of 180 countries evaluated¹. The CPI ranks 180 countries and territories around the world by their perceived levels of public sector corruption. The results are given on a scale of 0 (highly corrupt) to 100 (very clean)). Figure 3 include markings in green where we have projects or are located.

Our operations are not shielded from corruption and we are building a strong corporate governance, code of conduct, business relation screening criteria and training of all our key personnel. Our existing presence in Norway and, Denmark and France are in countries with low risk for corruption, a well-established legislative system as well as private and public companies respecting and honouring the competitive landscape in an ethical fashion. In 2021, we have not identified

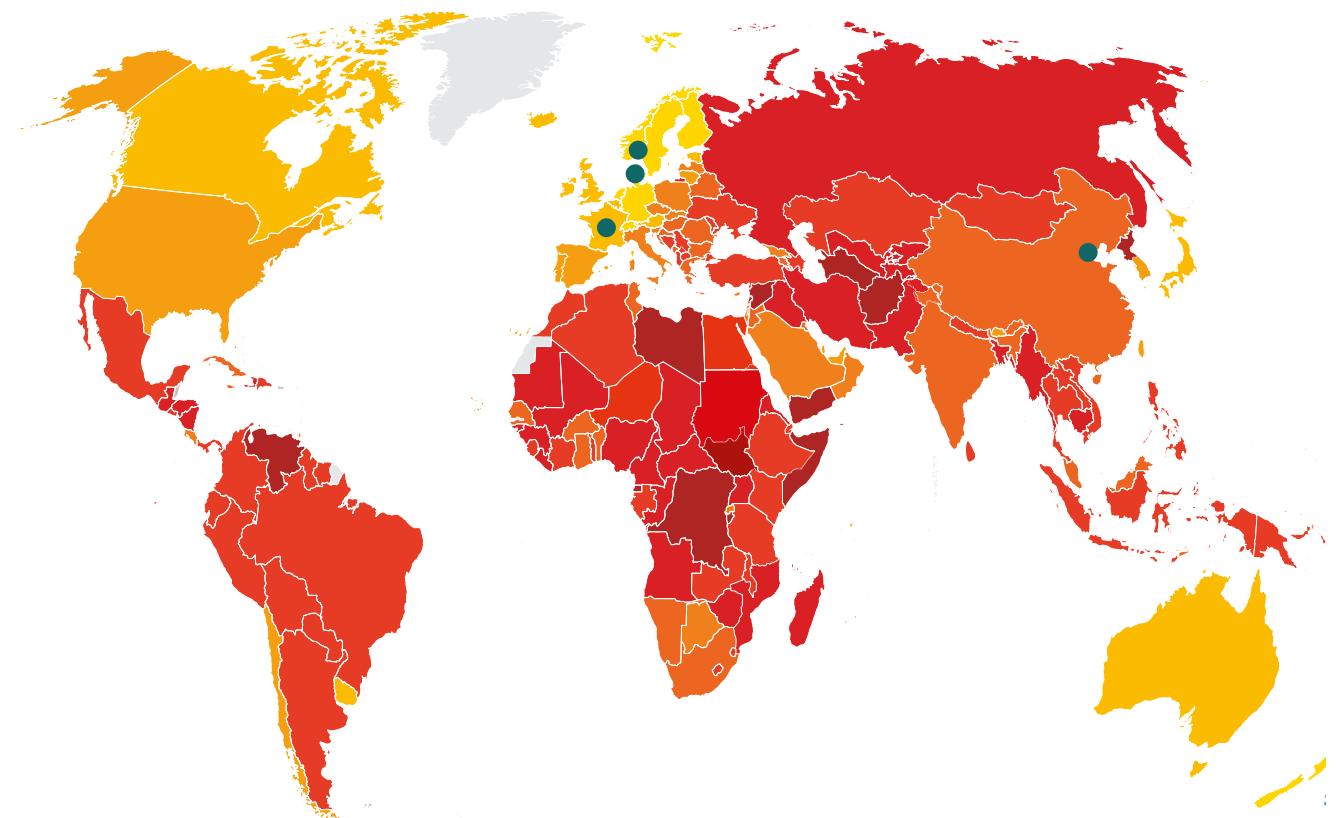


Figure 3: Transparency International Corruption Perceptions Index 2021

1. <https://www.transparency.org/en/cpi/2021>

or registered any incidents of corruption.

As we scale up the Company and our international presence, we build routines and procedures that all employees will be educated in. For 2021, our operations were assessed for risks related to corruption with emphasis on our supply chain where suppliers and potential customers are located in countries with a higher probability of corruption according to the CPI. To mitigate potential risks for corruption we conduct a thorough supplier evaluation before engaging a business relation, and we are compliant with local laws and regulations regarding strategic relations.

In 2021 we engaged in a strategic business relation with Tianjin HQY Hydrogen Machinery Co., Ltd.(THM) in Tianjin, China, with intentions to establish an entity of HydrogenPro in early 2022. We work to build a strong regulatory framework and governance protocol for our operation in China to mitigate and reduce the risks for corruption, forced- and child labour and issues that is not compliant with OECD guidelines for multinational enterprises regarding human rights. We have already established procedures for transactions and signatory rights for the Company, to mitigate any initial issues that might arise and to be compliant with local laws and regulations when establishing a company in China.

Procedures will be established, and employees will be trained concurrent with the formalizing of our daughter company in China. We will collaborate with established companies in Tianjin to train on anti-corruption, HESQ and human rights issues to ensure that all employees and executive personnel are equipped with tools to identify, alert, and mitigate the issues that can occur. All employees will have to sign a specific anti-corruption and compliance agreement when starting at HydrogenPro. Experience is key for building a presence and getting our facilities to produce high quality products according to our prognosis. We have experienced key personnel employed in China having knowledge and

experience with Chinese legislations, procedures, and a proven business ethics, responsible for establishing regulatory routines, and procedure management systems that ensures a strong governance of all our activities. One example is our supplier process, which contains supplier screening including economical, corruption, environmental and social/human rights criteria, as well as benchmarking of suppliers, having backup suppliers and a formalized contract system with signatory rights. We will also engage with strategic vendors to increase knowledge about critical topics and to reduce the risk of corruption, child- and forced labour and human rights issues. Our initial assessment of the growing international presence of HydrogenPro is that we are not contributing to social and economic issues including corruption.

Security

As for 2021 we do not have any security personnel at any of HydrogenPro's locations but we have alarm and security agreements with local security providers. However, once our daughter company in China is fully established and our manufacturing- and assembly facility in Tianjin is completed we will employ security personnel from a security provider. By using a security provider to supplement the security at the industry park in Tianjin we aim to secure all HydrogenPro property. We will engage a security provider with a proven record, knowledge and competency within security measures and human right issues, and they will be fully responsible for any training and development as part of the engagement contract.

EU taxonomy

HydrogenPro's business is covered by the EU Taxonomy under the activity "Engineering activities and related technical consultancy". Our operation as engineering, manufacturing and assembly of large-scale green hydrogen production plants contributes to climate change mitigation, while respecting the relevant criteria for doing no significant harm to other

environmental objectives. Our activities aims to provide new technology and products with better performance and efficiency. By doing this, we contribute to, and enable our customers to participate in the green energy transition, potentially enhance reductions of GHG emissions at large scale. To read more about how we manage our water resources, contributes to the circular economy transition, control, prevention- and protection of emissions, pollution, biodiversity and ecosystems, and how we work with human relation topics, please read our dedicated sections in the sustainability report.

The delegated acts on climate change mitigation and climate change adaptation apply from January 1, 2022, with the remaining objectives applicable from January 1, 2023. We will use second half of 2022 to evaluate the Taxonomy requirements preparing for our next reporting period.

Framework

Report scope and framework

The sustainability report for 2021 includes HydrogenPro entities in Norway and Denmark. We include preliminary information regarding our developing presence in China. As there was no operation in France for 2021 we only mention this entity as a part of HydrogenPro governance.

GRI

The GRI Standard enable an organization to publicly disclose its most significant impacts on the economy,

environment, and people, including impacts on their human rights and how the organization manages these impacts. This enhances transparency on the organization's impacts and increases organizational accountability.

The Standards contain disclosures that allow an organization to report information about its impacts consistently and credibly. This enhances the global comparability and quality of reported information on these impacts, which supports information users in making informed assessments and decisions about the organization's impacts and contribution to sustainable development. We follow the framework of the GRI Core option and are in reference to the GRI Standards for the 2021 sustainability report.

Task Force on Climate-related Financial Disclosures (TCFD)

TCFD was established by the Financial Stability Board in 2015 to develop climate-related disclosures that "could promote more informed investment...decisions.", and the recommendations were made public in June 2017. The Task Force believes climate-related risks and opportunities are or could be material for many organizations. HydrogenPro has conducted its first TCFD assessment for the sustainability report period of 2021. We will continue to develop the assessments, recommendations, and initiatives to mitigate potential risk impact on the business and seize opportunities.

UN Sustainable Development Goals (SDG)

The SDGs build on decades of work by member countries and the UN, and in 2015, all United Nations Member States adopted "The 2030 Agenda for Sustainable Development", consisting of 17 SDGs. These 17 SDGs are frequently adopted as a guideline and common sustainability-reporting framework for companies worldwide. We have chosen four SDGs and made them "our" strategic SDG's for the coming period.

EU Taxonomy

The EU taxonomy sets out three main targets on how to define sustainable activities and classifies what kind of activities and industries are sustainable. Its intention is to aid the financial system, investors and policymakers to scale up sustainable investments and to prevent greenwashing. The taxonomy entered into force 12. July 2020. To be deemed sustainable, an activity has to contribute significantly to at least one of six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The other two criteria to be defined as sustainable is to not cause any harm to any of the other five objectives, and meet minimum conditions for social rights. For the latter requirement, the Transparency act in Norway will cover the foundation of the criteria.

Consolidated financial statements and notes

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Consolidated statement of profit and loss

NOK '000	Note	2021	2020
Operating income and operating expenses			
Revenue from contracts with customers	3	20 036	26 694
Total revenue		20 036	26 694
Cost of goods sold	4	11 632	6 323
Personnel expenses	5,6	32 878	10 988
Depreciation and amortisation expense	10,11,12	5 215	357
Other operating expenses	7	30 772	14 987
Operating profit/(loss)		-60 461	-5 961
Financial income	8	4 374	1 905
Financial expenses	8	1 321	4 185
Net financial income and expenses		3 053	-2 280
Profit/(loss) before income tax		-57 407	-8 241
Income tax expense	9	-975	7 727
Profit/(loss) for the year		-56 432	-15 967
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations		337	0
Net Other comprehensive income		337	0
Total comprehensive profit/(loss) for the year		-56 096	-15 967
Total comprehensive profit (loss) for the year attributable to:			
Equity holders of the parent company		-56 096	-15 967
Earnings per share (in NOK):			
Basic and diluted earnings per ordinary share	17	-0,98	-0,36

Consolidated statement of financial position

NOK '000	Note	2021	2020	2019
Assets				
Non-current assets				
Intangible assets	2, 10	48 970	45 001	13 620
Property, plant and equipment	11	22 637	2 756	66
Right of use assets	2, 12	2 975	334	
Non-current tax asset	9	975		
Investments in associated companies	13	101	50	50
Loan to associated companies	13	634		
Other receivables	15	48 597	7	7
Total non-current assets		124 890	48 148	13 743
Current assets				
Inventories		308		
Trade receivables	14	13 042	3 183	1 146
Other receivables	15	7 594	2 541	2 186
Cash and bank deposits	16	382 255	506 111	9 992
Total current assets		403 199	511 835	13 324
Total assets		528 089	559 983	27 067

Consolidated statement of financial position

NOK '000	Note	2021	2020	2019
Equity and liabilities				
Equity				
Share capital	17	58	57	31
Share premium account	17	576 141	542 170	9 843
Other equity contributed	17, 18	26 800	9 098	1 460
Other equity	17	-92 081	-35 648	-19 681
Translation reserves		337		
Total equity		511 256	515 677	-8 346
Non-current liabilities				
Interest-bearing debt				22 912
Non-current lease liabilities	12	1 365	180	
Other long term liabilities				353
Total non-current liabilities		1 365	180	23 264
Current liabilities				
Current lease liabilities	12	1610	154	
Trade creditors	19	3 290	7 184	3 193
Public duties payable	19	5 071	1 102	796
Other short term liabilities	19	5 497	35 686	8 160
Total current liabilities		15 468	44 126	12 149
Total liabilities		16 833	44 306	35 413
Total equity and liabilities		528 089	559 983	27 067

Porsgrunn/Oslo, 7 April 2022

(Electronically signed)

Ellen Merethe Hanetho
Chair of the Board

(Electronically signed)

Richard Espeseth
Board member

(Electronically signed)

Jarle Tautra
Board member

(Electronically signed)

Kermit J. Nash
Board member

(Electronically signed)

Jarle Dragvik
Board member

(Electronically signed)

Elling Nygaard
CEO

Consolidated statement of changes in equity

Note	NOK '000	Attributable to equity holders of the parent company						Total equity
		Share capital	Share premium reserve	Other paid-in capital	Translation reserves	Other equity	Total other equity	
	Equity as at 01.01 2020:	31	9 843	1 460		-26 871	-26 871	-15 537
2	Effect of implementing					7 190	7 190	7 190
	Equity adjusted as at 01.01.2020	31	9 843	1 460		-19 681	-19 681	-8 347
						0	0	
18	Cost of share-based payment			7 638			0	7 638
17	Issue of share capital	26	532 327					
	Profit for the period					-15 967	-15 967	-15 967
	Equity as at 31.12 2020	57	542 170	9 098		-35 648	-35 648	515 677
						0	0	
	Adjusted equity as at 01.01 2021	57	542 170	9 098		-35 648	-35 648	515 677
						0	0	
	Profit for the period					-56 432	-56 432	-56 432
	Other comprehensive				337		337	337
17	Issue of share capital	1	33 971				0	33 972
18	Cost of share-based payment			17 702			0	17 702
	Total comprehensive income	1	33 971	17 702	337	-56 432	-56 095	-4 421
	Equity as at 31.12 2021	58	576 141	26 800	337	-92 080	-91 743	511 256

Consolidated statement of cash flow

NOK '000	Note	2021	2020
Cash flows from operating activities			
Net Income / (Loss) before tax		-57 407	-8 241
Depreciation, amortisation & impairment	10,11	5 215	357
Option cost no cash effect		18 533	7 638
Change in accounts receivable	14	-9 859	-2 037
Change in accounts payable	19	-3 894	3 990
Write-down shares		7	0
Effect of foreign currency translation		337	0
Change in other accruals	15,19	-548	-5 398
Net cash flows from operating activities		-47 617	-3 689
Cash flows from investing activities			
Change in tangible assets	11	-20 793	-2 333
Change in intangible assets	10	-8 079	-6 947
Change in other investing activities	13,15	-49 178	0
Net cash flows from investing activities		-78 050	-9 280
Cash flows from financing activities			
Repayment of loan		0	-23 264
Proceeds from Equity Issue		1 812	532 353
Net cash flows from financing activities		1 812	509 088
Cash balance start of period		506 111	9 992
Net change in cash		-123 855	496 119
Cash balance end of period		382 256	506 111

Notes

Note - 1.1 Corporate information

Hydrogenpro AS ("the Company") is a public limited company, incorporated in Norway, headquartered in Porsgrunn and listed on Euronext Growth, 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 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. Recently the company acquired a new plating technology through the acquisition of Advanced Surface Plating ApS in Denmark.

HydrogenPro is listed on Euronext Growth at Oslo Stock Exchange under the ticker "HYPY".

The consolidated financial statements of Hydrogenpro AS for the fiscal year 2021 were approved in the board meeting at 07.04.2022.

Note 1.2 - Basis for preparation

The consolidated financial statements of HydrogenPro AS 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). IFRS have been implemented for the first time in 2020, and the transition is described in note 2.

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

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

The Group has so far seen limited business impact related to the Covid-19 pandemic. The Board continues to monitor the situation carefully to ensure appropriate measures are taken as the situation continues to unfold during 2022.

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 its subsidiary have DKK 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.

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 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 (note 3)
- Estimating fair value for share-based payments transactions (note 18)

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

Notes

1.4 General accounting policies

HydrogenPro has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgmental 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 eventually 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.

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.

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

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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, LD's 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 judgmental. 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 electrolyzers and gass 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

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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 3.

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 carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an 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 18.

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 5 (salary and benefit) and 18 (share option plan).

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 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 a sufficient

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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 Group 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.

See note 9 for tax.

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 Group 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.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset.

Tangible assets

Tangible assets 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

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 recognised at cost less any amortisation and impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised but are expensed as occurred.

The economic life is either definite or indefinite. 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. Changes to the amortisation method and/or period are accounted for as a change in estimate.

Intangible assets with an indefinite economic life are tested for impairment at least once a year, either individually or as a part of a cash-generating unit.

Intangible assets with an indefinite economic life are not amortised. The economic life is assessed annually with regard to whether the assumption of an indefinite economic life can be justified. If it cannot, the change to a definite economic life is made prospectively.

Patents, licenses and technology

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

Government grants

Government grants related to construction of an asset. The company have not received any grants recognised over profit and loss.

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.

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The Group's financial instruments are grouped as:

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

Financial assets and financial liabilities are initially measured at amortized cost with the exception of the convertible loan measured at fair value against profit and loss.

The carrying amount of the Group's financial assets and liabilities are presented in note 20 (Financial instruments), along with descriptions of the key risk areas and exposure for HydrogenPro.

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.

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 differences 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 subsidiary Advanced Surface Plating ApS have recognised inventory in 2021. 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.

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 Group.

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Provisions

The group makes provisions 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 17 for more details about earnings per share.

Note 2 - First-time adoption of IFRS

These financial statements, for the period ended 31 December 2021 are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2021 together with the comparative period ended 31 December 2020.

This note explains the principal adjustments made by the Group when transitioning to IFRS from its previous reporting framework; Generally Accepted Accounting Principles in Norway ("NGAAP") as of 1 January 2020, as well as for the period ended 31 December 2020. Because the quarterly report for the fourth quarter 2021 was published earlier, the period ended 31 December 2021 is also included in this note.

As illustrated in the reconciliation below, the transition of financial figures for the year end 2020, did not implement any adjustments resulting in changes in profit and loss. The only IFRS adjustment made for 1. January 2020 was due to principal differences. The adjustments for 31 December 2020 did only influence the balance sheet items. The adjustments are explained more in detail in the section in the end of this note.

31.12.2020				
NOK '000	Note	NGAAP	Effect of transition to IFRS	IFRS
Profil/(loss) for the year		-15 967	-	-15 967

Notes

Reconciliation of the group's equity reported in accordance with previous GAAP to its Equity in accordance with IFRS, at the date of transition to IFRS (1 January 2020)

01.01.2020					01.01.2020				
NOK '000	Note	NGAAP	Effect of transition to IFRS	IFRS	NOK '000	Note	NGAAP	Effect of transition to IFRS	IFRS
Assets									
Non - current assets									
Property, plant and equipment	66	-	-	66	Share capital	31	-	-	31
Intangible assets	13 620	-	-	13 620	Share premium account	9 843	-	-	9 843
Right-of-use assets	-	-	-	-	Other equity contributed	1 460	-	-	1 460
Financial investments	7	-	-	7	Other equity	F	-26 871	7 190	-19 681
Investments in associated companies	50	-	-	50	Non-controlling interests	-	-	-	-
Loans to associated companies	-	-	-	-	Total equity	-15 536	7 190	-8 346	
Non - current tax asset	-	-	-	-	Non current liabilities				
Total non - current assets	13 743	-	-	13 743	Interest-bearing debt	22 912	-	-	22 912
Inventories									
Trade receivables	1 146	-	-	1 146	Lease liabilities	-	-	-	-
Other current receivables	2 185	-	-	2 185	Pension liabilities	-	-	-	-
Cash	9 992	-	-	9 992	Other long term liabilities	353	-	-	353
Total current assets	13 324	-	-	13 324	Deferred tax liability	-	-	-	-
Total assets	27 067	-	-	27 067	Total non current liabilities	23 264	-	-	23 264
Current Liabilities									
Interest-bearing loans									
Current lease liabilities									
Trade creditors									
Public duties payable									
Other short term liabilities									
Current tax									
Total liabilities									
Total equity and liabilities									

Notes

Reconciliation of the group's equity reported in accordance with previous GAAP to its Equity in accordance with IFRS, at the date of transition to IFRS (31 January 2020)

31.12.2020					31.12.2020				
NOK '000	Note	NGAAP	Effect of transition to IFRS	IFRS	NOK '000	Note	NGAAP	Effect of transition to IFRS	IFRS
Assets									
Non - current assets									
Property, plant and equipment		2 756	-	2 756	Share capital		57	-	57
Intangible assets	B	55 308	-10 307	45 001	Share premium account		542 170	-	542 170
Right-of-use assets	A	-	334	334	Other equity contributed		9 098	-	9 098
Financial investments		7	-	7	Other equity		-35 648	-	-35 648
Investments in associated companies		50	-	50	Non-controlling interests		-	-	-
Loans to associated companies		-	-	-	Total equity		515 677	-	515 677
Non - current tax asset									
Total non - current assets		58 122	-9 973	48 148	Non current liabilities				
Inventories		-	-	-	Interest-bearing debt		-	-	-
Trade receivables		3 183	-	3 183	Lease liabilities	A	-	180	180
Other current receivables		2 541	-	2 541	Pension liabilities		-	-	-
Cash		506 111	-	506 111	Other long term liabilities		-	-	-
Total current assets		511 835	-	511 835	Deferred tax liability		10 307	-10 307	-
Total assets		569 956	-9 973	559 983	Total non current liabilities		10 307	-10 127	180
Current Liabilities									
Interest-bearing loans									
Current lease liabilities			A		Interest-bearing loans		-	-	-
Trade creditors					Current lease liabilities	A	-	154	154
Public duties payable					Trade creditors		7 184	-	7 184
Other short term liabilities					Public duties payable		1 102	-	1 102
Current tax					Other short term liabilities		35 686	-	35 686
Total liabilities					Current tax		-	-	-
					Total liabilities		43 972	154	44 126
Total equity and liabilities									
					Total equity and liabilities		569 956	-9 973	559 983

Notes

Reconciliation of the group's equity reported in accordance with previous GAAP to its Equity in accordance with IFRS, at the date of transition to IFRS (31 January 2021)

31.12.2021					31.12.2021				
NOK '000	Note	NGAAP (unaudited)	Effect of transition to IFRS	IFRS	NOK '000	Note	NGAAP (unaudited)	Effect of transition to IFRS	IFRS
Assets									
Non - current assets									
Property, plant and equipment	C	22 814	-176	22 637	Share capital		58	-	58
Intangible assets	B, E	65 815	-16 845	48 970	Share premium account		576 141	-	576 141
Right-of-use assets	A	-	2 975	2 975	Other equity contributed		26 800	-	26 800
Financial investments		48 597	-	48 597	Other equity	E, F	-86 133	-5 610	-91 744
Investments in associated companies		101	-	101	Non-controlling interests		-	-	-
Loans to associated companies		634	-	634	Total equity		516 866	-5 610	511 256
Non - current tax asset	D	-	975	975	Non current liabilities				
Total non - current assets		137 961	-13 071	124 890	Interest-bearing debt		-	-	-
Inventories		308	-	308	Non current lease liabilities	A	-	1 365	1 365
Trade receivables		13 042	-	13 042	Pension liabilities		-	-	-
Other current receivables		7 594	-	7 594	Other long term liabilities		-	-	-
Cash		382 255	-	382 255	Deferred tax liability		10 436	-10 436	-
Total current assets		403 199	-	403 199	Total non current liabilities		10 436	-9 071	1 365
Total assets		541 160	-13 071	528 089	Current Liabilities				
					Interest-bearing loans		-	-	-
					Current lease liabilities	A	-	1 610	1 610
					Trade creditors		3 290	-	3 290
					Public duties payable		5 071	-	5 071
					Other short term liabilities		5 497	-	5 497
					Current tax		-	-	-
					Total liabilities		13 858	1 610	15 468
					Total equity and liabilities		541 160	-13 071	528 089

Notes

Reconciliation to the Group's statement of comprehensive income in accordance with IFRS for the latest period in the entity's most recent annual financial statements (31 December 2021)

31.12.2021				
NOK '000	Note	NGAAP (unaudited)	Effect of transition to IFRS	IFRS
Revenues		20 036		20 036
Cost of sale		11 632		11 632
Gross profit		8 404	-	8 404
Salary and personnel expenses	E	30 941	1 387	32 328
Other operating expenses	A, E	26 519	4 803	31 322
Depreciation and amortization	A, B	6 227	-1 012	5 215
Operating profit (loss)		-55 283	-5 178	-60 461
Financial income		4 374		4 374
Financial expenses		1 321		1 321
Income from associated companies		-		-
Profit (loss) before tax		-52 230	-5 178	-57 407
Tax	D	-1 231	257	-975
Net profit (loss)		-50 998	-5 434	-56 432
Other comprehensive income		-50 998	-5 434	-56 432
Exchange differences gain	B		337	337
Net Other comprehensive income		-	337	337
Of which:		-	337	337
Controlling interests		0	0	0
Non-controlling interests		0	0	0
Profit for the year		-	-	-

The transition from NGAAP to IFRS has not led to significant changes to the cash flow statement.

Explanation of adjustments and reclassifications

A - Leases

The group apply IFRS 16 to its lease contracts.

At, 1 January 2020, the group did not recognise any "right-of-use assets" or "lease liability" "because no leases had a duration of 12 months or longer.

At, 31 December 2020, the IFRS financial statements recognised a lease contract from several leasing agreements on vehicles, which resulted in some reclassifications. Right-of-use assets and lease liabilities have been recognised for an amount of 334 TNOK. TNOK 180 corresponds to the 'non-current lease liabilities' and TNOK 154 has been classified as "current lease liabilities". The recognition did not make any changes in the statement of profit & loss.

At, 31 December 2021, the company negotiated a new rental agreement at the headquarter address, Hydrovegen 6, in Porsgrunn. The lease term had a duration of more than 12 months and was therefore recognised as lease contract after IFRS 16. However, the initial lease term is effective from 01.01.2022. Then the initial recognition date was 31.12.2021, where the Right-of-use asset have been recognised for an amount of 2 795 TNOK, non-current lease liability for an amount of 1 339 TNOK and 1 456 TNOK as current lease liability.

Related to the leasing agreements on vehicles, the Right-of-use asset in 2021 is recognised to be NOK 179 thousand. Non-current lease liabilities have been recognised for an amount of 25 NOK thousand, and NOK 154 thousand corresponds to the "current lease liability". The application of IFRS 16 resulted in several effects in the consolidated statement of comprehensive income.

Depreciation has been increased for an amount of TNOK 154. Other operating expenses has been reversed for an amount of TNOK 154.

B - Business combination

Under NGAAP, consolidation of Advanced Surface Plating ApS led to a recognised intangible asset and a deferred tax liability. Under IFRS this is considered to be acquisition of an asset, and do not constitute a business combination.

At, 1 January 2020, there were no business combinations.

At, 31 December 2020, the IFRS adjustments of 10,307 MNOK reflect the reversal of deferred tax. The cost of the acquisition is therefore allocated to the individual identifiable assets and

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the liabilities on the basis of their fair values at the date of purchase. The acquisition was made 22 December 2020 thus there were no amortization subject for adjustments until the ending balance sheet date.

At, 31 December 2021, an earn-out of 4,8 MNOK was added to the initial acquisition cost. The IFRS adjustments of 10,501 represent a reversal of the deferred tax liability, a correction of the amortization as a result of the adjustment in initial acquisition cost. Useful life is still considered to be 10 years.

The IFRS adjustment of translation differences due to consolidation is recognised in the OCI with 337 TNOK in 2021.

C - Property plant and equipment

The IFRS adjustment of NOK 176 thousand reflects a correction from 2020 that was made in the NGAAP financial statements as a simplification rule for small businesses, directly towards other equity. The amount was originally from Skattefunn as a result of 2020. However, it was received after the annual report was published for the fiscal year of 2020. In line with IFRS this amount needs to be recognised in either the income statement or balance sheet in 2021. As a result, the amount was recognised as a reduction of added costs related to the R&D center at Herøya, which is the project supported by Skattefunn.

D - Taxes

The IFRS adjustment of NOK 975 thousand reflects the recognition of deferred tax asset related to the adjustments described above. This adjustment, mainly stem from the reversal of NOK 10,501 (10,307 in 2020) thousand on deferred tax liability, and the adjustment on amortization basis from intangible assets.

E - Intangible assets

At, 31 December 2021 the IFRS adjustment of NOK 6,3 million reflects a difference in consideration of the recognition criteria under IAS 38 (intangible assets under IFRS), which led to a reversal of previously capitalized costs linked to the corporations and establishment of supply chain in China. As a result, this reversal led to increase in personnel and other operating expenses in the income statement by NOK 1.3 million and NOK 5.0 million respectively.

F - Equity and Provision

At, 1 January 2020, the IFRS adjustment of NOK 7 190 thousand reflects a correction from previous years, that was accounted under the simplification rule for small businesses under NGAAP (directly against other equity). This error from the previous year was a result of absence of adjustments made towards provisions for loss and prepayments on contracts in 2019.

At, 31 December 2021 the IFRS adjustment of NOK 5 610 thousand reflects the effect on other equity related to the IFRS adjustment described above. The effect is mainly due to the reversal of intangible assets described below.

Note 3 - Revenue from contracts with customers

Geographical region

NOK '000	2021	2020
Norway	0	136
Europe	906	8 413
America	16 204	18 144
Asia Pacific	2 926	0
Total	20 036	26 694

Group balance sheet value of project

NOK '000	2021	2020
Included in trade receivables		
Contract assets (accrued revenue)	456	0

Included in short term debt

Contract liabilities (incl. prepayment from customers)	1 348	787
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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.

The revenue is distributed as follows:

NOK '000	2021	2020
Revenue from engineering services	3 700	25 069
Revenue from sale of goods	16 337	1 625
Total revenue	20 036	26 694

Revenues from contracts with customers have the following distribution as recognized over time or at point in time:

NOK '000	2021	2020
Revenue recognised over time	20 019	26 694
Revenue recognised at point in time	17	
Total revenue	20 036	26 694

Note 4 - Cost of goods sold

NOK '000	2021	2020
Cost of goods sold	11 344	6 093
Cost of handling and freight	193	229
Other cost of goods sold	95	
Total cost of materials	11 632	6 323

Note 5 - Personnel expenses

NOK '000	2021	2020
Salaries and holiday pay	28 203	9 051
Severance payment	0	1 340
Pension costs defined contribution plans (Note 6)	1 445	557
Other personnel costs	3 230	40
Total salaries and personnel expense	32 878	10 988

In addition, some invoices have been received for fees and bonuses, and these are included in other operating expenses. Fees and bonuses to management is listed below.

The number of man-years that has been employed during the financial year:

	2021	2020
Norway	15	10
Europe	1	
Total	16	10

Notes

Note 5 - Personnel expenses, continued

NOK '000	Board fees	Salary and invoiced fees	Bonus	Benefits in kind	Pension cost	Other ¹	Total remuneration 2021	Total remuneration 2020
CEO								
Mårten Lunde (former CEO), through Enern Invest AS		2 479	800				3 279	1 886
Elling Nygaard (CEO)		360		3	25		388	
Board of Directors								
Ellen Hanetho (Chair)		316					316	40
Richard Espeseth								1 200
Jarle Tautra								
Kermit Nash		96					96	
Jarle Dragvik								
Walter H Quam (former member)	450					1 214	1 664	51
Terje Mikalsen (former member)								40

* 1) Other compensation includes exercised options during the period (excluding social security tax)

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

Options to leading employees

During the period, CEO and member of the board have been granted 1.487.170 new stock options. Below is an overview over the CEO and Board Members' share options.

Name	Options Holder	Position	Opening balance	Granted options	Forfeited	Exercised	Ending balance
Mårten Lunde	Enern Invest AS	Former CEO	1 150 000	350 000	178 755		1 321 245
Elling Nygaard		CEO		450 000			450 000
Ellen Hanetho		COB	216 000	437 170			653 170
Ellen Hanetho	Opulentia Invest AS	COB	1 490 000				1 490 000
Walter Hafslø Qvam		Former COB	314 000	250 000	337 170	170 713	56 117
TM Holding AS ²		DOB	163 005				163 005
Total			3 333 005	1 487 170	515 925	170 713	4 133 537

* 2) Jarle Dragvik is CEO of TM Holding AS, but the options have been awarded to TM Holding AS which is 100% owned by Terje Mikalsen.

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 18.

Notes

Note 6 - 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 31.12.2021 there were 20 members covered by the scheme.

The contributions recognised as expenses equalled TNOK 1 445 in 2021 and TNOK 557 in 2020. The contributions to CEO was TNOK 25 in 2021 and TNOK 70 in 2020.

Note 7 - Other operating expenses

Other operating expenses

	2021	2020
NOK '000		
Freight costs	7	104
Energy costs	72	1
Advertising	290	633
Repair and maintenance costs	137	44
Rental and leasing costs	1 784	1 689
Travel costs	817	749
Consultancy fees and external personnel	19 720	10 224
Other operating costs	7 946	1 542
Total operating expenses	30 772	14 987

Specification auditor's fee

	2021	2020
NOK '000		
Statutory audit	819	304
Other assurance services	12	216
Other non-assurance services	146	
Total	977	520

* Statutory audit includes technical assistance with financial reporting

Note 8 - Finance income and cost

Financial income

	2021	2020
NOK '000		
Other financial income		
Interest income	2 056	449
Foreign exchange gains	2 319	1 456
Total financial income	4 374	1 905

Finance expenses

	2021	2020
NOK '000		
Interest on debts and borrowings	49	492
Foreign exchange losses	584	3 451
Other financial expenses	715	243
Total financial expenses	1 348	4 185

Notes

Note 9 - Income tax

Tax expense for the year consists of

NOK '000	2021	2020
Income tax payable	0	0
Change in deferred tax	-975	7 727
Tax expense	-975	7 727

Calculation of taxable income for the year

NOK '000	2021	2020
Profit before tax	-57 407	-8 243
Permanent differences	-986	-25 508
Change in temporary differences	-1 072	-11 346
Effect from IFRS implementation	0	0
Use of loss carry forward	0	0
Taxable income	-59 466	-45 098

Why tax expense for the year does not amount to 22 % of the profit before tax

NOK '000	2021	2020
Profit before tax	-57 407	-8 243
22% of profit before tax	-12 630	- 1 813
22% of permanent differences	-217	- 5 612
Prior year adjustments	0	0
Tax effect IFRS implementation	0	0
Currency translation differences	42	0
Change in not recognised deferred tax asset (tax liabilities)	11 830	7 425
Income tax expense	-975	0

Overview of temporary differences

NOK '000	2021	2020
Property plant & Equipment	5 126	619
Intangible assets	-4 137	0
Non current receivables or liabilities in other currencies	1 371	0
Production contracts	5 210	5 744
Provisions	-200	- 262
Other accruals	-7	0
Tax losses carry forward	-134 620	- 75 157
Total	-127 257	-69 056
Nominal tax rates for next year 22%	27 997	15 192
Deferred tax asset	27 997	15 192

Deferred tax asset not recognised in Statement of financial position	27 022	15 192
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Deferred tax asset in the Statement of financial position	975	0
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The majority of the deferred tax asset is related to loss carry forward. As of 31 December 2021 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	2021	2020
Norway	125 139	74 964
Denmark	9 481	193
Balance as of 31.12	134 620	75 157

Notes

Note 10 - Intangible assets

Internally developed intangible assets

NOK '000	Technology	Patents and licenses	Total 2021	Technology	Patents and licenses	Total 2020
Carrying amount, 1 January						
Additions - internally developed	36 545	8 456	45 001			
Amortisation	4 821	3 285	8 106	36 545	8 456	45 001
Exchange differences	-4 137		-4 137			
Carrying amount, 31 December	37 229	11 741	48 970	36 545	8 456	45 001
As at 1 January						
Cost	36 545	8 456	45 001			
Accumulated amortisation and write downs						
Exchange differences						
Carrying amount	36 545	8 456	45 001	0	0	0
As at 31 December						
Cost	41 366	11 741	53 107	36 545	8 456	45 001
Accumulated amortisation and write downs	-4 137		-4 137			
Exchange differences						
Carrying amount	37 229	11 741	48 970	36 545	8 456	45 001

The Technology cost corresponds to the acquisition of the subsidiary Advance Surface Plating ApS (ASP). The financial lifetime is expected to be 10 years. The acquisition date was 22th of December 2020, and the amortisation is considered to be effective from January 2021.

The Group has assessed the carrying value of the development cost as of 31.12.2021 and consider it to be intact.

The conclusion is based on:

- The technical feasibility of completing the intangible asset. The production line was completed by the end of 2021.
- Calculations for expected earnings in Advanced Surface Plating ApS.

Notes

Note 11 - Property, plant and equipment

NOK '000	Plant and machinery	Movables	Machinery and plant in progress	Total 2021
Accumulated cost 1 January 2021	2 716	41	0	2 756
Additions	14 162	2 627	5 207	21 996
Skattefunn (Tax compensations)			-1 185	-1 185
Depreciation	-865	-60		-925
Exchange differences	-4	-1		-5
Carrying value 31 January 2021	16 009	2 606	4 022	22 637

As at January 1 2021

Acquisition cost	3 017	147		3 164
Accumulated depreciation and write downs	-302	-106		-408
Carrying value	2 716	41	0	2 756

As at December 31 2021

Acquisition cost	17 179	2 774	4 022	23 975
Accumulated depreciation and write downs	-1 171	-167		-1 337
Carrying value	16 009	2 608	4 022	22 637

Economic life

5 years

Depreciation method

5-10 years

linear

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 2021 corresponds to 5,2 MNOK. The container that HP aquired in 2020 have been subject for 5 years straight line depreciation during 2021. The additions made according to the in progress project, will be subject for depreciation when the lab is up running, estimated to 01.01.2022. The work to set up the technology center, have been subject for support from Skattefunn during 2021. The purchase cost will hereby be reduced accordingly.

Advanced Surface Plating Line

Additions in 2021 are equivalent to 14,2 MNOK in plant and machinery and 2,4 MNOK in movables. These are costs incurred to establish the production plant facility in Aarhus. The depreciation corresponds to straight line and was effective from 01.10.2021.

Notes

Note 12 - Leases

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.

Right-of-use assets

NOK '000	Buildings	Vehicles	Total
Acquisition cost 1 January 2021		334	334
Addition of right-of-use assets	2 795		2 795
Acquisition cost 31 December 2021	2 795	334	3 129
Accumulated depreciation and impairment 1 January 2021			0
Depreciation		154	154
Accumulated depreciation and impairment 31 December 2021	0	154	154
Carrying amount of right-of-use assets 31 December 2021	2 795	180	2 975
Lower of remaining lease term or economic life		4 years	
Depreciation method	linear	linear	

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows

NOK '000	Total
Less than 1 year	1 456
1-2 years	1 339
Total undiscounted lease liabilities at 31 December 2021	2 795
	154
	26
	1 610
	1 365
	180
	2 975

Summary of the lease liabilities

NOK '000	Total
At initial application 01.01.2021	334
New lease liabilities recognised in the year	2 795
Cash payments for the principal portion of the lease liability	-154
Total lease liabilities at 31 December 2021	2 975

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.

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.

Extension options

The Group's rental contract for office space expires November 2023, with a right for the Group to extend the agreement for further three periods of a year. The Group has assessed whether it is reasonably certain to exercise the renewal right and have not included any potential future lease payment in the lease liabilities.

Purchase options

None of the agreements contain purchase options at the end date.

Notes

Note 13 - List of subsidiaries, joint ventures and associates

The following subsidiaries are included in the consolidated financial statements:

Company	Country of incorporation	Main operations	Ownership interest 2021	Voting power 2021	Ownership interest 2020	Voting power 2020
Advanced Surface Plating ApS	Denmark	Technology industries	100 %	100 %	100 %	100 %
Hydrogenpro France *	France	Technology industries	100 %	100 %	100 %	100 %
Kvina Energy AS *	Norway	Technology industries	50 %	50 %		

Loans to group companies, not consolidated away

NOK '000	2021	2020
Kvina Energy AS	500	0
Hydrogenpro France	133	0
Total	633	0

Note 14 - Accounts receivables

NOK '000	2021	2020
Accounts receivables		
Receivables related to revenue from contracts with customers - external	12 586	3 183
Receivables, accrued, not invoiced	456	
Total accounts receivables (Gross)	13 042	3 183
Allowance for expected credit losses		
Total accounts receivables (Net)	13 042	3 183

Notes

Note 15 - Other non-current receivables

NOK '000	2021	2020
Pre-paid costs	7 594	2 541
Total other current assets short term	7 594	2 541
Receivables from associated companies	3 710	
Other receivables	495	
Convertible receivables	26 458	
Long term investment	17 934	
Total other long term current assets	48 598	-

Additional information regarding Other long-term receivables:

Long-term investment

17 November 2021 HydrogenPro reached an agreement with Tianjin HQY Hydrogen Machinery Co., Ltd. ("THM") to take control over the fabrication supply of electrolyzers. HP have pre-paid approximately NOK 18 million as part of the NOK 48 million capital injection as of 31.12.2021. The pre-payments are classified as other long-term receivables.

Convertible loan DG Fuels

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 note is measured at fair value with measurement effects on profit or loss based on the level 3 in the fair value hierarchy. As the agreement and payment was made late in 2021, the face value is considered also to represent the fair value at year end.

Thus, no measurement effects are recognised in the profit or loss.

See note 20 for reconciliation of the financial instruments.

Note 16 - Cash and cash equivalents

NOK '000	2021	2020
<i>Cash</i>		
Short-term bank deposits	382 255	506 111
Cash and cash equivalents in the balance sheet	382 255	506 111

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.

NOK '000	2021	2020
Restricted bank deposit	1 745	372

Notes

Note 17 - Share capital, shareholder information and dividend

The 20 main shareholders at 31.12.21 are:

	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 %
Verdipapirfondet DNB SMB	1 174 894	2.02 %
Nordnet Bank AB	872 205	1.50 %
Tor Danielssen	1 373 571	2.37 %
Jan Fredrik Garvik	1 337 411	2.30 %
Goldman Sachs & CO LLC	415 629	0.72 %
LJM AS	350 000	0.60 %
The Bank og New York Mellon	335 335	0.58 %
DZ Private Bank S.A	1 322 981	2.28 %
Verdipapirfondet Pareto Investment	841 000	1.45 %
Barclays Capital SEC LTD FIRM	745 934	1.29 %
Nordea Bank Abp	727 783	1.25 %
VPG Norge Selektiv	604 914	1.04 %
Top 20 shareholders	50 626 820	87.25 %
Sum other shareholders	7 401 351	12.75 %
Total number of shares	58 028 171	100.00 %

	2021	2020
Ordinary shares		
NOK 0,001 per share in 2021	58 028 171	
NOK 0,001 per share in 2020		57 169 312
Total	58 028 171	57 169 312
Weighted average number of ordinary shares - for basic EPS:	57 598 536	44 287 500
Profit/(Loss) attributable to ordinary equity holders - for basic EPS:	-56 096	-15 967
Board of Directors and Management		
	Number of shares	Ownership interest
Ellen Hanetho (Chair)		
Richard Espeseth 1)	11 424 125	19.69 %
Jarle Tautra 2)	1 000	0.00 %
Kermit Nash		
Jarle Dragvik 3)	2 200	0.00 %
Elling Nygaard (CEO) 4)	10 315	0.02 %

1. In addition 3.173.571 shares are held by Ricard Espeseth's spouse. These are not included in the total presented in the table above.
2. Held through the controlled company Jasmig AS.
3. 2.200 shares are held by the controlled company Jardis Invest AS. In addition, 9.635.182 shares are held by TM Holding As, where Jarle Dragvik is CEO, but does not own any shares.
4. In addition 5.890 shares are held by Elling Nygaard's spouse. These are not included in the total presented in the table above.

Notes

Note 18 - Shareholder option plan

Option programme

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

At 2019, employees, board members and guarantor 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 2021 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 18,1 (8,1) million. The total social security accruals at the end of the year are NOK 0.4 million. The total accumulated cost expensed related to share-based payments are NOK 26.8 (8) million as of 31 December 2021.

Overview of outstanding options

NOK '000	2021	2020
Outstanding options 1.1	3 740 000	1 591 000
Options granted	2 377 170	2 249 000
Options forfeited	(568 509)	(100 000)
Options exercised	(258 859)	-
Options expired		
Outstanding options 31.12	5 289 802	3 740 000
Of which exercisable	3 680 811	845 500

The outstanding options are subject to the following conditions:

Expiry date	Average strike price	Number of share options
2022	7,0	1 490 000
2023	7,0	1 454 005
2024	7,0	292 378
2025	24,8	2 053 419
Total		5 289 802

The calculations are based on the following assumptions:

Average weighted strike price (NOK)	13,91
Average option life	4
Weighted average risk-free interest rate	1,04 %
Weighted average volatility	63 %

Volatility

It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility.

The term of the option

It is assumed that 90 % of the employees will exercise the options once they are exercisable. The options are expected to have a term of 4 years.

Dividend

The estimated dividend per share is NOK 0 per annum.

Risk-free interest rate

The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option, i.e. 1,04 % for 2021.

The fair value of options granted in 2021 was estimated to be NOK 31,2 million (NOK 6,4 million in 2020). The value of the options are expensed through profit and loss, over an average vesting period of 4 years.

Notes

Note 19 - Account payable and other current liabilities

NOK '000	2021	2020
Trade accounts payables	3 290	7 184
Debt to associates and joint ventures		
Liabilities to associated companies	35 686	
Government taxes, tax deductions etc.	5 071	1 102
Other liabilities	7 107	154
Total	15 468	44 126

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

HydrogePro entered into a share purchase agreement with the initial shareholders of Advanced Surface Plating ApS on 20th of December 2020. As the payment was first settled through a share capital increase approved by the extraordinary general meeting on January 8th 2021, the claims at year end 2020, TNOK 36 483 was classified as other short liabilities.

Note 20 - 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

Financial instruments as of 31.12.2021

NOK '000	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Financial assets measured at fair value (level 3)	Total
Other non current receivables	22 139	-	-	48 597
Convertible receivables	-		26 458	26 458
Accounts receivables	13 042	-	-	13 042
Cash and cash equivalents	382 255	-	-	382 255
Total financial assets	417 437	-	26 458	443 895
Net interest-bearing debt	-	-	-	-
Non-current lease liabilities	-	1 365	-	1 365
Trade and other payables	-	3 290	-	3 290
Current lease liabilities	-	1 610	-	1 610
Total financial liabilities	-	6 265	-	6 265

Notes

Note 20 - Financial instruments and risk management, continued

Financial instruments as of 31.12.2020

NOK '000	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Other non current receivables	7	-	7
Accounts receivables	3 183	-	3 183
Cash and cash equivalents	506 111	-	506 111
Total financial assets	509 300	-	509 300
Net interest-bearing debt	-	-	-
Non-current lease liabilities		180	180
Trade and other payables	-	7 184	7 184
Current lease liabilities		154	
Total financial liabilities	-	7 517	7 517

Financial instruments as of 01.01.2020

NOK '000	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Other non current receivables	7	-	7
Accounts receivables	1 146	-	1 146
Cash and cash equivalents	9 992	-	9 992
Total financial assets	11 145	-	11 145
Net interest-bearing debt	-	22 912	22 912
Non-current lease liabilities	-	-	-
Trade and other payables	-	3 193	3 193
Current lease liabilities	-	-	-
Total financial liabilities	-	26 105	26 105

Notes

Note 20 - Financial instruments and risk management, continued

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 receivable is assessed for losses on a regular basis. As of 31 December 2021 approximately, our main customer held 77% of the Group trade receivables.

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 prudence, 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 12.

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.

Interest rate risk

The Groups exposure to interest rates was mainly related to interest earned on the Group's cash position with banks and to interest on intra-group loans.

Power is one the most important input factors in the production of Hydrogen and, depending on the marked prices, amounts to 70-90% of the Hydrogen production cost. Variation in the cost of electric power can therefore affect the demand for the Group product.

Notes

Note 21 - Key events after the balance sheet date

Awarded large-scale contract for an initial delivery of 40 electrolyzers to Mitsubishi Power Americas, Inc.

On 3rd of February 2022 HydrogenPro announced that the Company has signed a contract for an initial delivery of 40 electrolyzers to Mitsubishi Power Americas, Inc. making it one of the largest electrolyser system contracts ever placed. The initial value of the contract exceeds USD 50 million for HydrogenPro's scope of delivery. The EPC and other system deliverables for a turn-key electrolyser green hydrogen production plant will be supplied by other companies. The green hydrogen will be consumed for power generation in the U.S. The purchase order is dependent on a final investment decision, which is expected in the first half of 2022. However, a non-refundable commitment has been made by Mitsubishi Power, enabling HydrogenPro to prepare for production.

MoU with L&T for delivery of Hydrogen Electrolyzers in India

for Gigawatt-scale manufacturing of Alkaline Water Electrolyzers based on HydrogenPro technology for Indian market and other select geographies. The proposed joint venture in India is in line with L&T's strategic vision to be present across the green energy value chain and HydrogenPro's strategy of establishing a global manufacturing footprint to maintain cost leadership and ensure local presence.

Status of purchase order with Mitsubishi announced 24th of August 2021

The world's largest single stack high-pressure alkaline electrolyser system is currently being fabricated in China. Covid-19 infection control measures in China in early 2022 has led to a lock down of the fabrication facility which has caused a certain delay in the delivery. After the system is completed at the fabrication facility in China it will be transported to Norway for installation and commissioning.

War in Ukraine

The escalation of the conflict between Russia and Ukraine which led to armed conflicts in Ukraine on 24 February 2022 has created uncertainty regarding the development of the global economy. The evolving conflict does currently not impact the Group directly, as it has no operating presence in either Russia, Belarus, or Ukraine. Indirect effects however, such as financial market volatility, sanctions-related knock-on effect, general economic marked conditions, and other future responses of international governments, might have an impact on the Group's financial results and financial position. The Group's management and Board of Directors continues to monitor the situation and has an ongoing assessment of potential impact on the Group's financial result and financial position.

Note 22 - 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 Norwegian Accounting Standards.

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.
- **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.

Financial statements and notes of parent company

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Statement of profit and loss

NOK '000	Note	2021	2020
Revenue	2	19 936	26 694
Total revenue		19 936	26 694
Cost of sales	3	11 179	6 323
Personnel expenses	4,5	29 520	10 988
Depreciation and amortisation	9	604	357
Other operating expenses	6	29 736	14 981
Operating profit/(loss)		-51 104	-5 954
Financial income	7	4 790	1 905
Financial costs	7	1 274	4 185
Net financial items		3 516	-2 280
Profit/(loss) before tax		-47 588	-8 234
Income tax expense	8	0	7 727
Profit/(loss) for the year		-47 588	-15 961
To/(from) other equity		-47 588	-15 961
Total allocated and equity transfers		-47 588	-15 961

Statement of financial position

NOK '000	Note	2021	2020
Assets			
Non-current assets			
Intangible assets	9	11 742	8 456
Property, plant and equipment	9	6 401	2 756
Investments in subsidiaries	10	66 020	36 534
Loans to group companies		1 056	0
Investments in shares		1	7
Other receivables	12	48 102	0
Total non-current assets		133 322	47 753
Current assets			
Accounts receivables	11	13 042	3 183
Other receivables	12	6 168	2 541
Cash and bank deposits	13	380 692	506 111
Total current assets		399 902	511 835
Total assets		533 224	559 588

Statement of financial position

NOK '000	Note	2021	2020
Equity and liabilities			
<i>Equity</i>			
Share capital	14,15	58	57
Share premium reserve	15	576 141	542 170
Other paid-in equity	15	26 800	9 098
Other equity	15	-83 236	-35 648
Total equity		519 763	515 677
<i>Current liabilities</i>			
Accounts payable	16	3 140	7 177
Public duties payable		5 071	1 102
Other short term liabilities	16	5 248	35 632
Total current liabilities		13 460	43 911
Total liabilities		13 460	43 911
Total equity and liabilities		533 224	559 588

Porsgrunn/Oslo, 7 April 2022

(Electronically signed)

Ellen Merethe Hanetho
Chair of the Board

(Electronically signed)

Richard Espeseth
Board member

(Electronically signed)

Jarle Tautra
Board member

(Electronically signed)

Kermit J. Nash
Board member

(Electronically signed)

Jarle Dragvik
Board member

(Electronically signed)

Elling Nygaard
CEO

Statement of changes in equity

NOK '000	Attributable to equity holders of the parent company					Total equity
	Share capital	Share premium reserve	Other paid-in capital	Uncovered loss	Other	
Equity as at 01.01 2020:	31	9 843	1 460	-26 871	-26 871	-15 537
Effect of implementing				7 190	7 190	7 190
Equity adjusted as at 01.01.2020	31	9 843	1 460	-19 681	-19 681	-8 347
Cost of share-based payment			7 638		0	7 638
Issue of share capital	26	532 327				
Profit for the period				-15 967	-15 967	-15 967
Equity as at 31.12 2020	57	542 170	9 098	-35 648	-35 648	515 677
Adjusted 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			0	33 972
Cost of share-based payment			17 702		0	17 702
Total comprehensive income	1	33 971	17 702	-47 588	-47 588	4 086
Equity as at 31.12 2021	58	576 141	26 800	-83 236	-83 236	519 763

Statement of cash flow

NOK '000	Note	2021	2020
Cash flows from operating activities			
Net Income / (Loss) before tax		-47 588	-8 234
Depreciation, amortisation & impairment	9	604	357
Option cost no cash effect		16 291	7 219
Change in inventory		0	0
Change in accounts receivable	11	-9 404	-2 037
Change in accounts payable	16	-4 036	3 983
Write-down shares		7	0
Effect of foreign currency translation		0	0
Change in other accruals	12	1 922	-4 324
Net cash flows from operating activities		-42 204	-3 036
Cash flows from investing activities			
Change in tangible assets	9	-5 752	-3 047
Change in intangible assets	9	-3 285	-2 563
Change in other investing activities		-76 165	-4 324
Net cash flows from investing activities		-85 203	-9 934
Cash flows from financing activities			
Repayment of loan		0	-23 264
Transaction not recognized over P&L		176	0
Proceeds from Equity Issue		1 812	532 353
Net cash flows from financing activities		1 988	509 088
Cash balance start of period		506 111	9 992
Net change in cash		-125 419	496 119
Cash balance end of period		380 692	506 111

Notes

Note 1 - General accounting principles

Hydrogenpro AS is a public limited company, incorporated in Norway, headquartered in Porsgrunn and listed on Euronext Growth, Address headquarter: 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. Our organisation comprises an experienced engineering team of leading industry experts, drawing upon unparalleled experience and expertise within the hydrogen and renewable sectors. By combining our in-depth knowledge with innovative design, we continuously aspire to pioneer game-changing ideas and solutions to realise and maximise new opportunities in a smarter, sustainable, hydrogen powered future.

HydrogenPro is listed on Euronext Growth at Oslo Stock Exchange under the ticker "HYPYR".

The financial statements of Hydrogenpro AS for the fiscal year 2021 were approved in the board meeting at 07.04.2022.

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 15

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.

Notes

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 linked to goodwill that are not tax deductible
- 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.

Tangible assets

Tangible assets 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 to 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

Notes

asset's useful life. Investment grants are recognised either as deferred income or as a deduction of the asset's carrying amount.

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

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.

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

Equity and liabilities

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.

Costs of equity transactions

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

Other equity

Reserve

This reserve contains the total net increase in the fair value of non-current assets that have been revalued at an amount which exceeds their cost. The reserve also contains total net changes in the fair value of financial instruments classified as available for sale until the investment has been sold or it has been determined that the investment is of no value.

Translation differences

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

Exchange-rate differences 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.

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 Guarantor. The programs are measured at fair value at the date of the grant, using an appropriate valuation model.

Notes

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.

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:

- Status of purchase order with Mitsubishi announced 24ht of August 2021
- MOU with L&T for manufacturing Hydrogen Electrolysers in India
- Large-scale contract for an initial delivery of 40 electrolyzers to Mitsubishi Power Americas, Inc.

Notes

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	2021	2020
Norway	0	136
Europe	805	8 413
America	16 204	18 144
Asia Pacific	2 926	0
Total	19 936	26 693

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 materials

NOK '000	2021	2020
Cost of goods sold	11 043	6 093
Cost of handling and freight	136	229
Other cost of goods sold	0	
Total cost of materials	11 179	6 323

Note 4 - Personnel expenses

NOK '000	2021	2020
Salaries and holiday pay	28 734	9 051
Severance payment	0	1 340
Pension costs defined contribution plans (Note X)	0	557
Other personnel costs	785	40
Total salaries and personnel expense	29 519	10 988

In addition, some invoices have been received for fees and bonuses, and these are included in other operating expenses. Fees and bonuses to management is listed below.

The number of man-years that has been employed during the financial year:

	2021	2020
Norway	15	10
Europe	1	
Total	16	10

Notes

Note 4 - Personnel expenses, continued

Management remuneration

NOK '000	Board fees	Salary and invoiced fees	Bonus	Benefits in kind	Pension cost	Total remuneration
CEO						
Mårten Lunde (former CEO), through Enern Invest AS		2 479	800			3 279 (until 31.10.21)
Elling Nygaard (CEO)		360		3	25	388 (from 01.11.21)
Board of Directors						
Ellen Hanetho (Chair)		316				316
Richard Espeseth						
Jarle Tautra						
Kermit Nash		96				96
Jarle Dragvik						
Walter H Quam (former member)	450					450
Terje Mikalsen (former member)						

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

Notes

Note 4 - Personnel expenses, continued

Options to leading employees

During the period, CEO and member of the board have been granted 1.487.170 new stock options. Below is an overview over the CEO and Board Members' share options.

Name	Options Holder	Position	Opening balance	Granted options	Forfeited	Exercised	Ending balance
Mårten Lunde	Enern Invest AS	Former CEO	1 150 000	350 000	178 755		1 321 245
Elling Nygaard		CEO		450 000			450 000
Ellen Hanetho		COB	216 000	437 170			653 170
Ellen Hanetho	Opulentia Invest AS	COB	1 490 000				1 490 000
Walter Hafslø Qvam		Former COB	314 000	250 000	337 170	170 713	56 117
TM Holding AS ¹		DOB	163 005				163 005
Total			3 333 005	1 487 170	515 925	170 713	4 133 537

* 1) Jarle Dragvik is CEO of TM Holding AS, but the options have been awarded to TM Holding AS which is 100% owned by Terje Mikalsen.

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 15.

Notes

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 31.12.2021 there were 20 members covered by the scheme.

The contributions recognised as expenses equalled TNOK 1 445 in 2021 and TNOK 557 in 2020. The contributions to CEO was TNOK 25 in 2021 and TNOK 70 in 2020.

Note 6 - Other operating expenses

Other operating expenses

	2021	2020
NOK '000		
Freight costs	7	104
Energy costs	9	1
Advertising	229	633
Repair and maintenance costs	135	44
Rental and leasing costs	1 263	1 689
Travel costs	813	749
Consultancy fees and external personnel	19 470	10 218
Other operating costs	7 811	1 542
Total operating expenses	29 736	14 981

Specification auditor's fee

	2021	2020
NOK '000		
Statutory audit	769	304
Other assurance services	12	216
Other non-assurance services	138	
Total	919	520

* Statutory audit includes technical assistance with financial reporting

Note 7 - Finance income and cost

Financial income

	2021	2020
NOK '000		
Other financial income		6
Interest income	2 278	449
Foreign exchange gains	2 511	1 450
Total financial income	4 790	1 905

Finance expenses

	2021	2020
NOK '000		
Interest on debts and borrowings	49	492
Foreign exchange losses	539	3 451
Other financial expenses	685	243
Total financial expenses	1 274	4 185

Notes

Note 8 - Income tax

Tax expense for the year consists of

NOK '000	2021	2020
Income tax payable	0	0
Change in deferred tax	0	7 727
Tax expense	0	7 727

Calculation of taxable income for the year

NOK '000	2021	2020
Profit before tax	-47 588	-8 234
Permanent differences	-996	-25 508
Change in temporary differences	-1 591	-11 346
Use of loss carry forward	0	0
Taxable income for the year	-50 174	-45 089

Why tax expense for the year does not amount to 22 % of the profit before tax

NOK '000	2021	2020
Profit before tax	-47 588	-8 234
22% of profit before tax	-10 469	-1 812
22% of permanent differences	-219	-5 612
Prior year adjustments	0	0
Change in not recognised deferred tax asset (tax liabilities)	10 688	7 423
Income tax expense	0	0

Overview of temporary differences

NOK '000	2021	2020
Property plant & Equipment	1 310	619
Non current receivables or liabilities in other currencies	1 371	0
Production contracts	5 210	5 744
Provisions	-200	-262
Tax losses carry forward	-125 139	-74 964
Total	-117 447	-68 864
 Nominal tax rates for next year 22%	25 838	15 150
Deferred tax asset	25 838	15 150
 Deferred tax asset not recognised in Statement of financial position	25 838	15 150
 Deferred tax asset in the Statement of financial position	0	0

The majority of the deferred tax asset is related to loss carry forward. As of 31 December 2021 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.

Notes

Note 9 - Intangible assets, property, plant and equipment

NOK '000	Intangible assets - Patents and licenses	Plant and machinery	Movables	Machinery and plant in progress	Total 2021
Carrying value 01 January 2021	8 456	2 716	41	0	11 213
Additions	3 285		227		3 512
Disposals, and assets classified as held for sale					0
Additions				5 206	5 206
Skattefunn (Tax compensations)				-1 185	-1 185
Depreciation		-604	0		-604
Carrying value 31 December 2021	11 741	2 112	268	4 021	18 142
As at January 1 2021					
Acquisition cost	8 456	3 017	147		11 620
Accumulated depreciation and write downs		-302	-106		-408
Carrying value	8 456	2 716	41	0	11 212
As at December 31 2021					
Acquisition cost	11 741	3 017	374	4 021	19 154
Accumulated depreciation and write downs		-905	-107		-1 012
Carrying value	11 741	2 112	268	4 021	18 142
Economic life	5 years	5-10 years	5 years		
Depreciation method	linear	linear	linear		

Notes

Note 9 - Intangible assets, property, plant and equipment, continued

Technology centre Herøya

The Technology centre at Herøya comprises two containers located close to HQ of HydrogenPro in Porsgrunn. The additions in 2021 corresponds to 5,2 MNOK. The container that HP acquired in 2020 have been subject for 5 years straight line depreciation during 2021. The additions made according to the in progress project, will be subject for depreciation when the lab is up running, estimated to 01.01.2022. The work to set up the technology centre, have been subject for support from Skattefunn during 2021. The purchase cost will hereby be reduced accordingly.

Notes

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 2021	Carrying value NOK 2020
Advanced Surface Plating ApS	100 %	Denmark	65 919	36 484
Hydrogenpro France	100 %	France	50	50
Kvina Energy AS	50 %	Norway	51	
Total			66 020	36 534

Note 11 - Accounts receivables

NOK '000	31.12.2021	31.12.2020
Accounts receivables		
Receivables related to revenue from contracts with customers - external	12 586	3 183
Receivables, accrued, not invoiced	456	
Total accounts receivables (Gross)	13 042	3 183
Allowance for expected credit losses		
Total accounts receivables (Net)	13 042	3 183

Notes

Note 12 - Other current assets

NOK '000	2021	2020
Pre-paid costs	6 168	2 541
Total other current assets short term	6 168	2 541
Receivables from associated companies	3 710	
Other receivables		
Convertible receivables	26 458	
Long term investment	17 934	
Total other long term current assets	48 102	-

Additional information regarding Other long-term receivables:

Long-term investment

17 November 2021 HydrogenPro reached an agreement with Tianjin HQY Hydrogen Machinery Co., Ltd. ("THM") to take control over the fabrication supply of electrolyzers. HP have pre-paid approximately NOK 18 million as part of the NOK 48 million capital injection as of 31.12.2021. The pre-payments are classified as other long-term receivables.

Convertible loan DG Fuels

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.

Note 13 - Cash and cash equivalents

NOK '000	2021	2020
<i>Cash</i>		
Short-term bank deposits	380 692	506 111
Cash and cash equivalents in the balance sheet	380 692	506 111

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.

NOK '000	2021	2020
Restricted bank deposit	1 540	352

Notes

Note 14 - Share capital, shareholder information and dividend

The 20 main shareholders at 31.12.21 are:

	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 %
Verdipapirfondet DNB SMB	1 174 894	2.02 %
Nordnet Bank AB	872 205	1.50 %
Tor Danielsen	1 373 571	2.37 %
Jan Fredrik Garvik	1 337 411	2.30 %
Goldman Sachs & CO LLC	415 629	0.72 %
LJM AS	350 000	0.60 %
The Bank og New York Mellon	335 335	0.58 %
DZ Private Bank S.A	1 322 981	2.28 %
Verdipapirfondet Pareto Investment	841 000	1.45 %
Barclays Capital SEC LTD FIRM	745 934	1.29 %
Nordea Bank Abp	727 783	1.25 %
VPG Norge Selektiv	604 914	1.04 %
Top 20 shareholders	50 626 820	87.25 %
Sum other shareholders	7 401 351	12.75 %
Total number of shares	58 028 171	100.00 %

	2021	2020
Ordinary shares		
NOK 0,001 per share in 2021	58 028 171	
NOK 0,001 per share in 2020		57 169 312
Total	58 028 171	57 169 312

Board of Directors and Management

	Number of shares	Ownership interest
Ellen Hanetho (Chair)		
Richard Espeseth 1)	11 424 125	19.69 %
Jarle Tautra 2)	1 000	0.00 %
Kermit Nash		
Jarle Dragvik 3)	2 200	0.00 %
Elling Nygaard (CEO) 4)	10 315	0.02 %

1. In addition 3.173.571 shares are held by Ricard Espeseth's spouse. These are not included in the total presented in the table above.
2. Held through the controlled company Jasmig AS.
3. 2.200 shares are held by the controlled company Jardis Invest AS. In addition, 9.635.182 shares are held by TM Holding As, where Jarle Dragvik is CEO, but does not own any shares.
4. In addition 5.890 shares are held by Elling Nygaard's spouse. These are not included in the total presented in the table above.

Notes

Note 15 - Shareholder option plan

Option programme

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

At 2019, employees, board members and guarantor 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 2021 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 18,1 (8,1) million. The total social security accruals at the end of the year are NOK 0.4 million. The total accumulated cost expensed related to share-based payments are NOK 26.8 (8) million as of 31 December 2021.

Overview of outstanding options

NOK '000	2021	2020
Outstanding options 1.1	3 740 000	1 591 000
Options granted	2 377 170	2 249 000
Options forfeited	(568 509)	(100 000)
Options exercised	(258 859)	-
Options expired		
Outstanding options 31.12	5 289 802	3 740 000
Of which exercisable	3 680 811	845 500

The outstanding options are subject to the following conditions:

Expiry date	Average strike price	Number of share options
2022	7,0	1 490 000
2023	7,0	1 454 005
2024	7,0	292 378
2025	24,8	2 053 419
Total		5 289 802

The calculations are based on the following assumptions:

Average weighted strike price (NOK)	13,91
Average option life	4
Weighted average risk-free interest rate	1,04 %
Weighted average volatility	63 %

Volatility

It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility.

The term of the option

It is assumed that 90 % of the employees will exercise the options once they are exercisable. The options are expected to have a term of 4 years.

Dividend

The estimated dividend per share is NOK 0 per annum.

Risk-free interest rate

The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option, i.e. 1,04 % for 2021.

Notes

Note 16 - Trade payables and other current liabilities

NOK '000	2021	2020
Trade accounts payables	3 140	7 177
Debt to associates and joint ventures	0	0
Liabilities to associated companies	0	35 632
Government taxes, tax deductions etc.	5 071	1 102
Other liabilities	5 248	0
Total	13 460	43 911

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

HydrogePro entered into a share purchase agreement with the initial shareholders of Advanced Surface Plating ApS on 20th of December 2020. As the payment was first settled through a share capital increase approved by the extraordinary general meeting on January 8th 2021, the claims at year end 2020, TNOK 36 483 was classified as other short liabilities.



Independent Auditor's Report

To the General Meeting in Hydrogenpro AS

Opinion

We have audited the financial statements of Hydrogenpro AS.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2021, income statement, 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, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2021, 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.

In our opinion:

- 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 2021, 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 2021, 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.

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 laws and regulations and 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.

Other information

The Board of Directors and the Managing Director (management) is 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

Independent Auditor's Report Hydrogenpro AS - 2021

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BDO AS
Leirvollen 21A, 3736 Skien
Løkkebakken 24, 3770 Kragerø



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 legal requirements.

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

Board of Directors and the Managing Director (management) are responsible for the preparation of financial statements that give a true and fair view, for 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 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>

BDO AS

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

Independent Auditor's Report Hydrogenpro AS - 2021

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Espen Åsulsen

Partner
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Appendix



Sustainability reporting HydrogenPro AS - 2021

302 - Energy, water and emissions

Energy consumption	Norway KwH	Denmark (half year) KwH
Renewable energy		
Heating	23 686	29 144,33 Water and grid mix of 66% renewables
Electricity	18 517	122 12 Water and wind
Non-renewable energy		
Heating	0	14354,67 Grid mix of 33% non-renewable
Electricity	0	4 100 Grid mix of 33% non-renewable
Energy intensity ratio (kwh/m2)	122,0	79,7
m2 facility space	346	1 500
Total kg GHG	221,1	5 020,1
Total kg CO ₂	221,1	6 964,5
Total kg CO ₂ emission 2021	7 185,6	
GHG intensity rate per employee	716,5	
Water	23m3	125m3

304-1 - Operational sites

Facility	Type of operation	Ownership type	Size (m2)	Protected area
Hydrogegen 6, Porsgrunn, Norway	Office	Leased	350	No
Herøya industry park	Production	Leased	898	No
Kvina Energy Park, Norway (pre-preparation phase)	Production	50% ownership of Kvina Energy AS, jointly with Kvina Energy Park	NA – under planning and regulation	No
Højbjerg, Denmark	Office, Manufacturing, Production	Leased	1500	No
Tianjin industry park, China	Office, Manufacturing, Production	Leased	6800	No

Sustainability reporting HydrogenPro AS - 2021

2-7 - Employees

Gender/Age	Norway				Denmark				Total (hc)
	<30	30-50	50<	Total (hc)	<30	30-50	50<	Total (hc)	
Permanent employees	0	10	9	19	1	3	2	6	
Female		2	1	3	1			1	
Male		8	8	16		3	2	5	
Temporary employees	0	0	2	2	0	0	0	0	
Female			1	1				0	
Male			1	1				0	
Full-time employees	1	10	9	20	0	0	2	2	
Female		2	1	3				0	
Male	1	8	8	17			2	2	
Part-time employees	1	0	0	1	1	3	0	4	
Female				0	1			1	
Male	1			1		3		3	

Sustainability reporting HydrogenPro AS - 2021

401-1 - Employment

Gender/Age	Norway				Denmark				Total
	<30	30-50	50+	Total	<30	30-50	50+	Total	
New employees	0	5	7	12	1	3	2	6	
Female			1	1	1				1
Male		5	6	11		3	2	5	
Turnover	0	0	1	1	1	0	0	1	
Female				0	1				1
Male			1	1					0
New employees in total	18								
New employees in percentage vs. Last period	78 %								

401-3 - Employment

Gender	Entitled to	Parental leave	Returned to work	Returned to work +12m	Total
Parental leave	0	0	0	0	0
Female	0	0	0	0	0
Male	0	0	0	0	0

Sustainability reporting HydrogenPro AS - 2021

405-1 - Diversity of highest governing body and employees

Gender	Parental leave	Returned to work	Returned to work +12m	Total
Board of directors	0	1	4	5
Female			1	1
Male		1	3	4
Percentage females in Board of Directors total				20 %
<hr/>				
Employees in total	2	12	13	27
Female	1	2	1	4
Male	1	10	12	23
Percentage females in total				15 %

Incident matrix

Incident type	Reported incidents	Non-compliance	Review	Actions taken	Remediation plan	Status
2-27 Compliance with laws and regulations	0	NA	0	0	0	NA
205-3 Confirmed incidents of corruption and actions taken	0	NA	0	0	0	NA
206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	0	NA	0	0	0	NA
406 - Non-discrimination	0	NA	0	0	0	NA
411- Rights of Indigenous Peoples	0	NA	0	0	0	NA
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	0	NA	0	0	0	NA
417-2 Incidents of non-compliance concerning product and service information and labelling	0	NA	0	0	0	NA
417-3 Incidents of non-compliance concerning marketing communications	0	NA	0	0	0	NA
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	0	NA	0	0	0	NA

GRI content index

Statement of use	Hydrogenpro AS has reported the information cited in this GRI content index for the period 01.01.2021 - 31.12.2021 with reference to the GRI Standards.	
GRI 1 used	GRI 1: Foundation 2021 Core option.	
GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	IR: 4, 5, 16-19
	2-2 Entities included in the organization's sustainability reporting	IR: 16-19
	2-3 Reporting period, frequency and contact point	The reporting period for both the financial- and sustainability report is 01.01.2021-31.12.2021. The frequency of the sustainability reporting is annual and it is integrated with the financial statement in a combined Annual Report. The integrated Annual- and Sustainability Report is publicized on 8th April 2022 according to the financial calendar of the Company. For questions to the Annual Report, please contact the CFO of HydrogenPro.
	2-4 Restatements of information	The sustainability report for 2021 is the first of its kind for HydrogenPro.
	2-5 External assurance	The sustainability report for 2021 is not externally assured. The Board will consider external assurance for the 2022 report. IR: 19
	2-6 Activities, value chain and other business relationships	IR: 5, 24
	2-7 Employees	IR: 23-45, 107
	2-8 Workers who are not employees	IR: 107
	2-9 Governance structure and composition	IR: 16-19, 40
	2-10 Nomination and selection of the highest governance body	IR: 16-19
	2-11 Chair of the highest governance body	IR: 20
	2-12 Role of the highest governance body in overseeing the management of impacts	IR: 16-19, 26
	2-13 Delegation of responsibility for managing impacts	IR: 16-19, 40
	2-14 Role of the highest governance body in sustainability reporting	IR: 16-19, 40-41
	2-15 Conflicts of interest	IR: 16-19
	2-16 Communication of critical concerns	IR: 16-19, 31
	2-17 Collective knowledge of the highest governance body	IR: 17-21

GRI content index

GRI STANDARD	DISCLOSURE	LOCATION
	2-18 Evaluation of the performance of the highest governance body	IR: 16-19
	2-19 Remuneration policies	IR: 16-19
	2-20 Process to determine remuneration	IR: 16-19
	2-21 Annual total compensation ratio	IR: 30,
	2-22 Statement on sustainable development strategy	IR: 5, 16-19, 23-45
	2-23 Policy commitments	IR: 16-19, 40-41
	2-24 Embedding policy commitments	IR: 16-19, 40-41
	2-25 Processes to remediate negative impacts	IR: 16-19, 35-36
	2-26 Mechanisms for seeking advice and raising concerns	IR: 16-19, 31
	2-27 Compliance with laws and regulations	IR: 16-19, 40-41, 109
	2-28 Membership associations	IR: 32
	2-29 Approach to stakeholder engagement	IR: 26-45
	2-30 Collective bargaining agreements	IR: 31
GRI 3: Material Topics 2021	3-1 Process to determine material topics	IR: 26
	3-2 List of material topics	IR: 27-28
	3-3 Management of material topics	IR: 16-19
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	IR: 13, 45-101
	201-2 Financial implications and other risks and opportunities due to climate change	IR: 16-19, 35
	201-3 Defined benefit plan obligations and other retirement plans	IR: 66
	201-4 Financial assistance received from government	IR: 63, 69, 95-96
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	IR: 30
	202-2 Proportion of senior management hired from the local community	HydrogenPro AS' board of directors consists of five members, including the chairperson. 20% of the board is female and 80% is from Norway.

GRI content index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Kvina Energy: The land is not yet developed, meaning if approval and go-ahead, the site must be developed and can potentially have a negative effect on the local environment. To minimize the potential impact, we will conduct extensive environmental assessment and implement necessary actions to remedy material consequences. This project will develop over time and can potentially be a great contribution to the local government, employ local personnel and develop the local supplier base.
	203-2 Significant indirect economic impacts	IR: 12
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	IR: 38-39
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	IR: 16-19, 42-43
	205-2 Communication and training about anti-corruption policies and procedures	IR: 16-19, 42-43
	205-3 Confirmed incidents of corruption and actions taken	IR: 109
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	IR: 109
GRI 207: Tax 2019	207-1 Approach to tax	IR: 56, 87
	207-2 Tax governance, control, and risk management	IR: 16-19, 56, 87
	207-3 Stakeholder engagement and management of concerns related to tax	IR: 26, 56, 87
	207-4 Country-by-country reporting	IR: 16-19
GRI 301: Materials 2016	301-1 Materials used by weight or volume	NA. Data for 2021 not available, will be calculated for the 2022 report.
	301-2 Recycled input materials used	IR: 32-33
	301-3 Reclaimed products and their packaging materials	IR: 32-33
GRI 302: Energy 2016	302-1 Energy consumption within the organization	IR: 34, 106
	302-2 Energy consumption outside of the organization	NA. Data for 2021 not available, will be calculated for the 2022 report.
	302-3 Energy intensity	IR: 34, 106
	302-4 Reduction of energy consumption	NA. Data for 2020 not available. 2021 will be used as benchmark.
	302-5 Reductions in energy requirements of products and services	IR: 24
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	IR: 34
	303-2 Management of water discharge-related impacts	IR: 34

GRI content index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 304: Biodiversity 2016	303-3 Water withdrawal	IR: 34, 106
	303-4 Water discharge	IR: 34
	303-5 Water consumption	IR: 106
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	IR: 106
	304-2 Significant impacts of activities, products and services on biodiversity	IR: 35
	304-3 Habitats protected or restored	IR: 35
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	IR: 35, 106
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	No scope 1 emissions in 2021
	305-2 Energy indirect (Scope 2) GHG emissions	IR: 34
	305-3 Other indirect (Scope 3) GHG emissions	NA. Data for 2021 not available, will be calculated for the 2022 report.
	305-4 GHG emissions intensity	IR: 34, 106
	305-5 Reduction of GHG emissions	NA. Data for 2020 not available. 2021 will be used as benchmark.
	305-6 Emissions of ozone-depleting substances (ODS)	NA. Data for 2021 not available, will be calculated for the 2022 report.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	NA. Data for 2021 not available, will be calculated for the 2022 report.
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	IR: 32-33
	306-2 Management of significant waste-related impacts	IR: 32-33
	306-3 Waste generated	IR: 32-33
	306-4 Waste diverted from disposal	IR: 32-33
	306-5 Waste directed to disposal	IR: 32-33
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	IR: 38-39
	308-2 Negative environmental impacts in the supply chain and actions taken	IR: 38-39

GRI content index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	IR: 30, 108
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	All employees are treated equally and have the same benefits.
	401-3 Parental leave	No employees entitled to, took, or returned from parental leave in 2021. IR: 108
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	IR: 31
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	IR: 12, 16-19, 31, 41-43
	403-2 Hazard identification, risk assessment, and incident investigation	IR: 13-14, 16-19, 40-43
	403-3 Occupational health services	IR: 31, 40-43
	403-4 Worker participation, consultation, and communication on occupational health and safety	IR: 31, 40-43
	403-5 Worker training on occupational health and safety	IR: 31, 40-43
	403-6 Promotion of worker health	IR: 31, 40
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	IR: 16-19, 40-43
	403-8 Workers covered by an occupational health and safety management system	IR: 31, 40
	403-9 Work-related injuries	Data for calculation not available in 2021. Will be monitored and calculated for the 2022 report.
	403-10 Work-related ill health	No incidents in 2021.
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	IR: 31
	404-2 Programs for upgrading employee skills and transition assistance programs	IR: 31, 40-43
	404-3 Percentage of employees receiving regular performance and career development reviews	No existing routine for regular performance and career development routine for 2021. Will be implemented in 2022.
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	IR: 30, 109
	405-2 Ratio of basic salary and remuneration of women to men	IR: 30
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	IR: 109

GRI content index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	IR: 16-19, 38
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	IR: 16-19, 38
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	IR: 16-19, 38
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	IR: 43
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	IR: 109
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs 413-2 Operations with significant actual and potential negative impacts on local communities	IR: 26-29 IR: 29, 37
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria 414-2 Negative social impacts in the supply chain and actions taken	IR: 38-39 IR: 38-39
GRI 415: Public Policy 2016	415-1 Political contributions	No political contributions made in 2021.
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	IR: 37 IR: 109
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling 417-2 Incidents of non-compliance concerning product and service information and labeling 417-3 Incidents of non-compliance concerning marketing communications	IR: 37 IR: 109 IR: 109
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	IR: 109

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