

UNLIMITED HYDROGEN

DESIGNER AND MANUFACTURER
OF EQUIPMENT
FOR THE PRODUCTION
& DISTRIBUTION
OF ZERO-CARBON HYDROGEN

BY **McPhy**

MCPHY ENERGY

Half-year Financial Report

June 30, 2022



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STATEMENT OF FINANCIAL POSITION

	ASSETS (€ K)	NOTES	06/30/2022	12/31/2021
NON-CURRENT ASSETS				
	Goodwill	3.1	2 487	2 487
	Intangible assets	3.1	5 343	3 658
	Property, plant and equipment	3.2	7 827	4 836
	Financial assets	3.6	12 000	-
	Financial assets available for sale		-	-
	Other assets		491	420
	Deferred tax assets	3.3	73	126
TOTAL			28 221	11 528
CURRENT ASSETS				
	Inventories	3.4	6 149	4 252
	Trade and other receivables	3.5	19 113	11 131
	Current tax assets	3.5	402	695
	Financial assets	3.6	-	-
	Cash and cash equivalents	3.6	141 816	177 155
TOTAL			167 480	193 233
Non-current assets held for sale			-	-
TOTAL ASSETS			195 700	204 761
	LIABILITIES (€ K)	NOTES	06/30/2022	12/31/2021
	Share capital		3 355	3 353
	Share premiums		190 382	201 855
	Treasury shares		(153)	(1 237)
	Currency translation adjustments		-	-
	Retained earnings		(41 023)	(31 360)
GROUP SHAREHOLDERS' EQUITY			152 561	172 611
Minority interests			-	-
SHAREHOLDERS' EQUITY			152 561	172 611
NON-CURRENT LIABILITIES				
	Provisions - portion at more than one year	3.7	4 925	2 195
	Borrowing and financial debt - portion at more than one year	3.8	5 039	3 517
	Other payables	3.9	-	-
	Deferred tax liabilities	3.3	619	640
TOTAL			10 582	6 352
CURRENT LIABILITIES				
	Provisions - portion at less than one year	3.7	4 760	6 504
	Borrowing and financial debt due within one year	3.8	1 504	1 065
	Trade and other payables	3.9	10 389	6 682
	Other current liabilities	3.9	15 904	11 547
	Current tax	3.9	-	-
TOTAL			32 558	25 798
Non-current liabilities held for sale			-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			195 700	204 761

STATEMENT OF COMPREHENSIVE INCOME

€K	NOTES	06/30/22	06/30/21	2021
Revenue	3.10	5,214	5,212	13,130
Capitalized production		-	-	-
Other income from operating activities	3.11	534	835	1,483
INCOME FROM CURRENT OPERATIONS		5,748	6,047	14,613
Goods consumed		(5,147)	(1,744)	(10,424)
Change in inventories of work in progress and finished products		(44)	(78)	(102)
Payroll charges		(7,892)	(5,710)	(11,630)
External charges		(9,622)	(4,405)	(7,835)
Taxes and duties		(97)	(47)	(128)
Depreciation and amortization	3.12	(667)	(664)	(1,512)
Provisions	3.12	(1,640)	(1,784)	(6,529)
CURRENT OPERATING INCOME		(19,360)	(8,384)	(23,549)
Other operating income and charges		(477)	(13)	31
Non-current provisions	3.12	-	-	-
NET OPERATING INCOME		(19,837)	(8,397)	(23,518)
Income from cash and cash equivalents		302	29	166
Cost of gross financial debt		(98)	(209)	(207)
Cost of net financial debt		204	(180)	(41)
Income tax expense	3.13	(38)	(22)	(14)
Income from equity affiliates		-	-	-
Net income from ordinary activities		(19,671)	(8,599)	(23,573)
Income from discontinued activities		-	-	-
NET PROFIT (LOSS) FOR THE PERIOD		(19,671)	(8,599)	(23,573)
<i>% of revenue</i>		<i>-406.8%</i>	<i>-406.8%</i>	<i>-406.8%</i>
Attributable to owners of the parent company		(19,671)	(8,599)	(23,573)
Attributable to minority interests		-	-	-
Net earnings per share - Group share	3.14	(0.71)	(0.31)	(0.85)
Net diluted earnings per share - Group share	3.14	(0.71)	(0.31)	(0.85)
NET PROFIT (LOSS) FOR THE PERIOD		(19,671)	(8,599)	(23,573)
Actuarial gains and losses on pension obligations		-	-	43
Currency translation adjustments		34	76	49
Deferred taxes recognized as equity		-	-	(11)
Other comprehensive income		34	76	81
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		(19,637)	(8,523)	(23,493)

CONSOLIDATED STATEMENT OF CASH FLOW

K EUR	S1-2022	S1-2021	2021
NET PROFIT (LOSS) FOR THE PERIOD	(19,671)	(8,599)	(23,573)
Depreciation, amortization & provisions	1,812	325	7,561
Unrealized gains (losses) on changes in fair value			
Income and expenses related to stock options	(160)	(90)	402
Other income and expenses	292	135	(162)
Gains (losses) on disposals	(160)	(90)	402
Dilution gains (losses)			
Income from equity affiliates	-	-	-
Dividends (non-consolidated securities)			
CASH FLOW AFTER COST OF NET FINANCIAL DEBT AND TAXES	(17,726)	(8,229)	(15,773)
Cost of net financial debt	(261)	1,201	(55)
Income tax expense	38	22	14
CASH FLOW BEFORE THE COST OF NET FINANCIAL DEBT AND TAXES	(17,948)	(7,006)	(15,814)
Taxes paid	(6)	(4)	(10)
Reduction (increase) in Inventories	(1,897)	(800)	(1,410)
Reduction (increase) in Trade receivables	(4,242)	269	(24)
Reduction (increase) in Other receivables	(3,517)	(2,448)	885
Increase (reduction) in Trade payables	3,390	609	655
Increase (reduction) in Other payables	4,357	2,124	4,387
NET CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	(19,862)	(7,256)	(11,332)
Acquisitions of intangible assets	(1,890)	(1,520)	(3,578)
Acquisitions of property, plant and equipment	(1,183)	(460)	(1,562)
Dividends received	(12 000)	0	0
Change in borrowings and advances granted		-	-
Investment subsidies received			
Other cash flows from investing activities	(12,000)	-	-
Effect of changes in scope	0	0	0
NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	(15,073)	(1,980)	(5,139)
Amounts received from shareholders for capital increases			
Paid by shareholders of the parent company			
Paid by minority shareholders of consolidated companies			
Capital increase sums received (net of capital increase costs)	95	329	414
Buybacks and resale of treasury shares	-	-	-
Dividends paid to shareholders of the parent company	-	-	-
Dividends paid to minority shareholders of consolidated companies	-	-	-
Proceeds drawn from new borrowings	-	480	480
Repayment of borrowings	(499)	(4,436)	(4,943)
NET CASH FLOW FROM FINANCING ACTIVITIES	(404)	(3,627)	(4,049)
Effect of changes in exchange rates			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,339)	(12,863)	(20,520)
CASH AND CASH EQUIVALENTS AT START OF PERIOD	177,155	197,674	197,674
CASH AND CASH EQUIVALENTS AT END OF PERIOD	141,815	184,812	177,155

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of shares	Share capital	Share capital premiums	Retained earnings	Treasury shares	Currency translation adjustments	Other reserves	Shareholders' equity - Group share	Minority interests	Total Shareholders' Equity
Position at January 1, 2021	27 856 540	3 343	206 858	(14 302)	(36)	150	1 223	197 236	-	197 236
Allocation of previous losses	-	-	(5 408)	5 408	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-
Exercise of share issue warrants	-	-	-	-	-	-	-	-	-	-
Exercise of share subscription warrant	65 755	8	321	-	-	-	-	329	-	329
Cost of share-based payments	-	-	-	-	-	-	153	153	-	153
Other changes	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	53	53	-	53
Net profit (loss) for the period	-	-	-	(8 599)	-	-	-	(8 599)	-	(8 599)
Change in treasury shares	-	-	-	-	(1 564)	-	(254)	(1 818)	-	(1 818)
Position at June 30, 2021	27 922 295	3 351	201 771	(17 493)	(1 600)	150	1 175	187 354	-	187 354
Allocation of previous losses	-	-	-	-	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-
Exercise of share subscription warrant	-	-	-	-	-	-	-	-	-	-
Exercise of options and BSPCE found	-	-	-	-	-	-	-	-	-	-
Exercise of share issue warrants	16 800	2	84	-	-	-	-	86	-	86
Cost of share-based payments	-	-	-	-	-	-	59	59	-	59
Other changes	-	-	-	-	-	-	(115)	(115)	-	(115)
Other comprehensive income	-	-	-	-	-	(23)	51	28	-	28
Net profit (loss) for the period	-	-	-	(14 974)	-	-	-	(14 974)	-	(14 974)
Change in treasury shares	-	-	-	-	363	-	(190)	174	-	174
Position at December 31, 2021	27 939 095	3 353	201 855	(32 467)	(1 236)	127	980	172 611	-	172 611
Allocation of previous losses	-	-	-	-	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-
Exercise of share issue warrants	-	-	-	-	-	-	-	-	-	-
Exercise of options and BSPCE found	20 000	2	93	-	-	-	-	95	-	95
Cost of share-based payments	-	-	-	-	-	-	292	292	-	292
Other changes	-	-	-	-	-	(171)	(62)	(233)	-	(233)
Other comprehensive income	-	-	-	-	-	34	-	34	-	34
Net profit (loss) for the period	-	-	-	(19 671)	-	-	-	(19 671)	-	(19 671)
Change in treasury shares	-	-	-	-	52	-	(624)	(572)	-	(572)
Position at June 30, 2022	27 959 095	3 355	201 948	(52 138)	(1 184)	(10)	587	152 558	-	152 558

HALF-YEAR FINANCIAL INFORMATION AT JUNE 30, 2022

1. ABOUT THE COMPANY

McPhy Energy is a limited company (*société anonyme*) incorporated under French law, created in 2007 (the “Company”). As a specialist in hydrogen production and distribution equipment, McPhy Energy S.A. and its subsidiaries (the “Group” or “McPhy”) contribute to the global development of zero-carbon hydrogen as a solution for the energy transition, in the industrial, mobility and energy sectors.

As a designer, manufacturer and integrator of hydrogen systems, McPhy operates three development, engineering and production centers in Europe (France, Italy and Germany). The Group’s international subsidiaries provide a broad commercial scope for its innovative hydrogen solutions.

The Company's new registered office is located at 79, rue Général Mangin, 38100 Grenoble, and it is listed on Compartment B of Euronext Paris.

The information provided in the notes to the consolidated financial statements is an integral part of the consolidated financial statements of McPhy at June 30, 2022, approved by the Board of Directors' meeting of September 15, 2022.

1.1. Highlights for the period

Throughout the first half-year, the Group continued its transition to an industrial scale and saw its dynamic sales activity reflected in increased order intake:

- **Revenue for the first half-year 2022 was stable compared to 2021 at €5.2 million.** This is mainly due to the trade-in of two older generation stations sold during previous years to German customers with the corresponding amount deducted from revenue during the first half-year 2022. Excluding this item, revenue would be €7.5 million compared to €5.2 million in the first half-year 2021, *i.e.* growth of 44%. This solid performance is the result of the finalization of the first orders on major projects in which McPhy is involved, while the market continues to show a wait-and-see attitude with regard to the release of public financing.
- The supply of McLyzer large-capacity and Piel range electrolyzers and McFilling hydrogen stations contributed to this half-yearly performance, and demonstrated their perfect complementarity for generating growth.
- Commercial momentum in the first half of the year also resulted in a firm order intake of €16.1 million, bringing the order book to €29.1 million at June 30, 2022, up 44% compared to December 31, 2021.
- The Group has also invested by subscribing to a Convertible Bond issue as part of its partnership with HYPE, a French hydrogen mobility player.

1.2. Post-closing events

On July 15, 2022, the European Commission validated the McPhy electrolyzer Gigafactory project among the applications submitted by France as part of the Hydrogen IPCEI. This decision demonstrates the interest of the project for the hydrogen sector in France and Europe. The final investment decision for the Gigafactory project will be taken by McPhy shortly after the final confirmation by the French authorities of the amount of public aid and the contractualization of the terms of the provision of this aid with Bpifrance.



2. ACCOUNTING PRINCIPLES AND METHODS

2.1. General principles

The consolidated financial statements were drawn up based on individual company financial statements for the period ended June 30, 2022.

The condensed half-year consolidated financial statements were prepared in compliance with IAS 34 “Interim Financial Reporting” and in particular the amendment to IAS 34.

These financial statements do not include all of the information required for an end-of-year closure, but rather a selection of explanatory notes, and must be read in conjunction with the Group’s consolidated financial statements at December 31, 2021.

By virtue of European Regulation No. 1606/2002 of July 19, 2002 on the application of international accounting standards, the principles of recognition, valuation and presentation used to prepare the consolidated financial statements are compliant with the IFRS standards and interpretations as adopted by the European Union, available on the European Commission website: https://ec.europa.eu/commission/index_en.

2.2. Scope and methods of consolidation

The consolidated financial statements comprise the parent company financial statements and those of companies under its control. The Group’s scope of consolidation only includes fully consolidated companies, since the Company, as the consolidating entity, holds a majority interest in these companies, giving it control (see Note 3.15 of this report).

2.3. Currency conversion

Functional currency and reporting currency

Accounts are prepared in the functional currency of each Group company, *i.e.* the currency of the main economic environment where it operates and which generally corresponds to the local currency. The consolidated financial statements are reported in euros, which is the functional and reporting currency of the consolidating company, McPhy Energy S.A.

Transactions in currency

The activity of foreign subsidiaries included within the scope of consolidation is considered as an extension of the parent company’s activity. In this respect, the accounts of the subsidiaries are converted using the historical exchange rate method. Applying this method produces an effect similar to what would have been recorded on the financial position and income if the consolidating company had operated under its own name abroad. On the closing date, monetary assets and liabilities denominated in foreign currencies are converted into the functional currency at the exchange rate effective on the closing date. Non-monetary items are converted at the historical exchange rate. All currency translation adjustments are recorded on the income statement.

The exchange rates used for the main currencies are as follows (non Euro zone currencies):

Indicative exchange rate EUR against currencies		Avera ge rate S1 2022	Avera ge rate S1 2021	Closing date rate 06/30/22	Closing date rate 06/30/21
Singapore dollar	SGD	1.5566	1.606	1.4564	1.600
US dollar	USD	1.1526	1.205	1.0481	1.190

2.4. Use of estimates

The preparation of financial statements requires that Management use estimates and reasonable assumptions, likely to impact the amounts relating to assets, liabilities, equity, income and charges in the accounts, as well as on the information provided in the notes on any assets and liabilities. These estimates are based on an assumption of going concern and are calculated according to the information available at the time of their production. The main estimates concern:

- the choice of capitalization of research and development projects in progress,
- goodwill impairment tests,
- capitalization of deferred taxes on losses carried forward,
- the period of use of assets owned by the Company,
- provisions for retirement benefits,
- provisions for guarantees,
- projected cash flow consumption,
- remaining costs to cover on projects where revenue is recognized according to the degree of completion;

These estimates may be revised if the circumstances on which they were based change or as new information becomes available.

2.5. Segment reporting

IFRS 8 requires that operational segments are identified based on the internal reporting used by the Company. McPhy Energy has only one identifiable operating segment for which the Group is able to publish information in accordance with IFRS 8. The geographical breakdown of revenue is as follows:

	S1 2022	S1 2021
Revenue France	€3.5 million	€4.0 million
Revenue Rest of the world	€1.7 million	€1.2 million

2.6. Research and development – Internal research and development work

In accordance with IAS 38, intangible assets and research costs are recognized in charges for the period in which they are incurred.

Research and development work done internally by the Company and its subsidiaries is subject to capitalization on the closing date if all the standard criteria are satisfied. If the standard criteria are not satisfied, research and development costs are stated in the charges for the fiscal year in which they are recognized.

In the first half of 2022, research and development costs were capitalized. They amounted to €4.96 million in the balance sheet, *i.e.* an allocation of €1.4 million over the period similar to the €1.4 million in the first half of 2021.

3. SELECTED NOTES TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

A NOTES TO THE BALANCE SHEET

3.1. Intangible assets

<i>In thousands of euros</i>	Goodwill	Concessions Patents licenses	Other	Total
At 12/31/2021	2,487	1,095	3,466	7,048
Other acquisitions	-	258	1,632	1,890
Disposals/internal transfer	-	(2)	(140)	(143)
Other changes	-	-	-	-
At 06/30/2022	2,487	1,350	4,958	8,795
At 12/31/2021	-	903	-	903
Depreciation and amortization for the period	-	65	-	65
Other changes	-	(2)	-	(2)
At 06/30/2022	-	966	-	966
NBV 06/30/2022*	2,487	384	4,958	7,829

(* indicates the net book value)

Goodwill is not amortized and is tested for impairment at the end of each reporting date. The Company has not identified any indication of loss in value at June 30, 2022.

3.2. Property, plant and equipment

<i>In thousands of euros</i>	Land construction	Equipment and tools	Other tangible assets	Total
At 12/31/2021	3,656	6,664	3,091	13,411
Acquisitions	581	254	664	1,500
IFRS 16	2,532	-	70	2,602
Disposal (IFRS 16)	-	-	-	-
Internal transfer	-	-	-	-
Disposals	(38)	(2,480)	(729)	(3,247)
At 06/30/2022	6,731	4,438	3,097	14,266
At 12/31/2021	1,085	5,770	1,713	8,568
Depreciation and amortization for the period	12	200	135	347
Depreciation and amortization (IFRS)	372	5	42	418
Reduction (IFRS 16)	(111)	-	-	(111)
Disposals/internal transfer	(44)	(2,468)	(274)	(2,786)
At 06/30/2022	1,315	3,507	1,616	6,437
NBV 06/30/2022*	5,416	931	1,481	7,829

(* indicates the net book value)

Leases whose contract terms are less than one year or whose yearly amount is less than €5 thousand have not been included in the IFRS 16 restatement. The IFRS 16 restatement amounts to €22.7 thousand for the first half-year, for information purposes.

3.3. Deferred taxes

In thousands of euros

	On the balance sheet		On the income statement	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Losses carried forward			-	-
Taxable temporary differences			-	(15)
Consolidation restatements*	73	126	(53)	54
TOTAL DTA	73	126	(53)	39
Taxable temporary differences	(570)	(602)	51	(75)
IAS 32 restatements	-	-	-	-
Other consolidation restatements	(49)	(38)	(11)	32
TOTAL DTL	(619)	(640)	40	(43)
TOTAL DTL (net)	(546)	(514)	(13)	(4)
DTA/L Deferred tax assets/liabilities				

The Group's assessment did not lead it to activate any tax loss carryforwards, in France or abroad.

3.4. Inventories and work-in-progress

<i>In thousands of euros</i>	06/30/2022	12/31/2021
Raw materials	651	295
Other supplies	5,066	3,662
Work in progress – production	88	31
Work in progress – services	0	0
Finished products	494	594
Gross value	6,298	4,583
Provisions	(149)	(331)
Net value	6,149	4,252

3.5. Trade receivables and other current assets

<i>In thousands of euros</i>	06/30/2022	12/31/2021
Trade receivables and related accounts	12,727	8,485
State and other bodies	2,030	1,294
Prepaid expenses	295	124
Sundry	4,660	2,117
Gross value	19,712	12,020
Provision	- (197)	- (193)
Net value	19,515	11,827

The "Trade receivables and related accounts" item includes:

- Trade receivables in the amount of €10,370 thousand;
- Contract assets under IFRS 15 for an amount of €2,357 thousand.

The "State and other bodies" item includes:

- VAT receivables for an amount of €1,490 thousand;
- Research Tax Credit receivables for an amount of €400 thousand;
- Subsidies to be received for an amount of €140 thousand.

The "Sundry" item includes:

- Advance payments made to suppliers in the amount of €4,263 thousand;
- The cash account on the liquidity contract of €396 thousand.

3.6. Financial assets, cash and cash equivalents

<i>In thousands of euros</i>	06/30/2022	12/31/2021
Short-term deposits	141,813	177,151
Demand deposits	-	-
Liquidities and equivalent	2	4
Bank overdrafts	-	-
Cash and cash equivalents	141,815	177,155
Financial investments		
Cash and investments	141,815	177,155

Marketable securities are recognized at their market value.

Non-current financial assets, namely the €12,000 thousand indicated in assets, represent the portion of the Hype Convertible Bonds subscribed by the Group (see note 1.1).

3.7. Provisions for risks and charges

<i>In thousands of euros</i>	12/31/2021	Provisions	Uses	Reversals	Other	06/30/2022
Disputes	(1)	-	-	-	4,401	4,400
Pensions and retirement benefits	108	-	-	-	-	108
Other risks and charges	8,590	3,987	- (3,001)	-	- (4,401)	5,176
TOTAL	8,697	3,987	- (3,001)	-	-	9,684
Non-current	2,193	3,170	- (440)	-	-	4,923
Current	6,504	817	- (2,561)	-	-	4,760
TOTAL	8,697	3,987	- (3,001)	-	-	9,684

Over the period, a provision for risks and charges of €3,987 thousand was recorded, including €2,680 thousand in non-recurring provisions related, on the one hand, to the increase in technical guarantees and, on the other hand, to cover any expenses related to the technical guarantee of its installed base of new generation electrolyzers. The use of the provision for risks and charges during the half-year is mainly related to the implementation of the measures planned following the Energie Dienst incident that occurred in June 2021 and for which the provision had been made during the 2021 fiscal year.

3.8. Borrowing and financial debt

<i>(In thousands of euros)</i>	<u>12/31/2021</u>	<u>Issues</u>	<u>Repayments</u>	<u>Restatements</u>	<u>06/30/2022</u>
Bank borrowing	830		(399)	0	431
Repayable advances	388		(103)	0	285
Debt on financial leases	228			(54)	174
Lease agreements	2,071	2,962		(884)	4,149
Non-current financial debt	3,516	2,563	(103)	(938)	5,039
Bank borrowing	133		(83)		51
Repayable advances	51				51
Debt on financial leases	187	0	(46)	54	195
Lease agreements	694		(371)	884	1,208
Current financial debt	1,065	0	(499)	938	1,504
Total borrowing and financial debt	4,582	2,563	(602)	0	6,543
				Less than one year	1,504
				Between one and five years	4,079
				More than five years	960
				Total	6,543

3.9. Trade and other payables

<i>In thousands of euros</i>	<u>06/30/2022</u>	<u>12/31/2021</u>
Trade payables	10,389	6,682
Subsidies	4,191	5,825
Tax and social security liabilities	3,491	2,106
Other payables	4,857	3,616
Prepaid income	3,365	
Total	26,293	18,229

The “Prepaid income” item includes advances on contracts in progress.

B NOTES TO THE INCOME STATEMENT

3.10. Revenue

Revenue at June 30, 2022 was €5,214 thousand, compared to €5,212 thousand at June 30, 2021.

The breakdown of revenue by geographical area presented below reflected the country of the customer billed and in thousands of euros.

<i>(In thousands of euros)</i>	S1 22		S1 21		2021	
Europe	4,837	93%	4,822	93%	12,562	96%
Middle East, Africa	27	1%	69	1%	122	1%
Americas	113	1%	52	1%	73	1%
Asia/Pacific	237	5%	271	5%	373	3%
Total	5,214	100%	5,212	100%	13,130	100%

Revenue at June 30, 2022 is composed at 78% by large capacity electrolyzers.

3.11. Other income from operating activities

<i>In thousands of euros</i>	06/30/2022	06/30/2021
Subsidies	40	431
Research Tax Credit (CIR)	400	327
Other income	94	78
TOTAL	534	836

3.12. Depreciation, amortization and provisions

Depreciation and amortization	06/30/2022	06/30/2021
<i>In thousands of euros</i>		
Intangible assets	65	45
Property, plant and equipment	761	601
Gains (losses) from asset retirements	- (160)	18
Depreciation and amortization	666	664

Provisions, depreciation and amortization	06/30/2022	06/30/2021
Provisions	3,331	2,617
Reversals of provisions	- (1,690)	- (821)
Net recurring operational provisions	2,307	2,460
Depreciation and amortization	- (1)	- (12)
Gains (losses) from asset retirements		
Net operational provisions	2,306	2,448

3.13. Expected effective tax rate for the year and integrated

The Company does not expect to have a significant tax expense for the 2022 fiscal year.

3.14. Earnings per share

Basic earnings per share for the period amounted to €(0.71) per share, compared to €(0.31) per share at June 30, 2021.

	06/30/2022	06/30/2021
Weighted average number of shares outstanding	27,892,107	27,855,307
Dilutive effect of options	355,070	355,070
Number of shares after effect of dilutive instruments	28,247,177	28,210,377
Net income - Group share	- (19,671)	- (8,599)
Basic earnings per share	- (0.71)	- (0.31)

Net diluted earnings per share is obtained by dividing the net income - Group share by the weighted average number of shares, net of the maximum impact of the conversion of dilutive instruments into ordinary shares using the share buyback method. Under this method, funds collected by potentially dilutive financial instruments are allocated to share buybacks at their market value. Dilution consists in the difference between the theoretical amount of shares to be bought back and the number of potentially dilutive options.

C OTHER INFORMATION

3.15. Scope and methods of consolidation

The companies included in the scope of consolidation close their accounts on December 31.

Companies	Countries	06/30/22	06/30/21	Notes
Fully consolidated companies				
McPhy Energy S.A.	France	Parent	Parent	Design, manufacture and marketing
McPhy Energy Italia Sprl	Italy	100%	100%	Design, manufacture and marketing
McPhy Energy Deutschland GmbH	Germany	100%	100%	Engineering and marketing
McPhy Energy Northern America Corp.	USA	100%	100%	Marketing
McPhy Energy Asia Pacific Pte. Ltd	Singapore	100%	100%	Marketing

3.16. Headcount

The headcount of the Company and its fully consolidated subsidiaries totals 178 people at June 30, 2022 compared to 134 people at June 30, 2021 and 101 people at June 30, 2020.

3.17. Related party transactions

No significant related party transactions took place during the period, without prejudice to the regulated agreement signed between McPhy and Technip Group on February 8, 2022, as published in accordance with regulations (in paragraph 8.3.1.3 of the Universal Registration Document filed with the AMF on April 28, 2022).

HALF-YEAR MANAGEMENT REPORT

1. HIGHLIGHTS

Throughout the first half-year, the Group continued its transition to an industrial scale and saw its dynamic commercial activity reflected in increased order intake:

- **Revenue for the first half-year 2022 was stable compared to 2021 at €5.2 million.** This is mainly due to the trade-in of two older generation stations sold during previous years to German customers with the corresponding amount deducted from revenue during the first half-year 2022. Excluding this item, revenue would be €7.5 million compared to €5.2 million in the first half-year 2021, *i.e.* growth of 44%. This solid performance is the result of the finalization of the first orders on major projects in which McPhy is involved, while the market continues to show a wait-and-see attitude with regard to the release of public financing.
- The supply of McLyzer large-capacity and the Piel range electrolyzers and McFilling hydrogen stations contributed to this half-yearly performance, and demonstrated their perfect complementarity for generating growth.
- Commercial momentum in the first half of the year also resulted in a firm order intake of €16.1 million, bringing the order book to €29.1 million at June 30, 2022, up 44% compared to December 31, 2021.
- The Group has also invested by subscribing to a Convertible Bond issue as part of its partnership with HYPE, a French hydrogen mobility player.

2. ACTIVITY DURING THE HALF-YEAR

- **At the same time, McPhy continued its efforts to scale up the electrolyzers segment with a significant investment taking production capacity to 300 MW at the San Miniato site,** in order to respond to market traction pending the potential commissioning of the Gigafactory. This organization will initially focus on the Wildau site for the design and engineering of very large capacity electrolyzer systems (multi-MW/GW), and San Miniato for the design and production of stacks and their assembly. The construction of the Gigafactory, with the addition of 1 GW, would then increase the production capacity to 1.3 GW and McPhy would thus have a pan-European industrial organization, unequalled by other electrolyzer manufacturers.
- **McPhy continued to strengthen its partnership ecosystem** composed of leading players such as Chart Industries, Technip Energies and TSG, which complement and attest to the quality of McPhy's offering, while constituting an important commercial lever. McPhy tendered to various calls for tenders through joint projects, notably with Technip Energies.
- **McPhy is investing in the structuring of its teams** with an active recruitment policy and the implementation of a dynamic ESG policy: the Group has thus strengthened its management team with the appointments of Laëtitia Peyrat as General Counsel and Secretary to the Board, and Benoît Barrière as Chief Technology Officer. McPhy also saw net recruitment of 32 new employees in the first half of 2022. In terms of ESG, the Group is continuing to implement a specific approach with the aim of obtaining demanding certification by 2025.



3. POST-CLOSING EVENTS

On July 15, 2022, the European Commission validated the McPhy electrolyzer Gigafactory project among the applications submitted by France as part of the Hydrogen IPCEI. This decision demonstrates the interest of the project for the hydrogen sector in France and Europe. The final investment decision for the Gigafactory project will be taken by McPhy shortly after the final confirmation by the French authorities of the amount of public aid and the contractualization of the terms of the provision of this aid with Bpifrance.

4. COMMENTS ON THE CONSOLIDATED QUANTIFIED DATA

<i>IFRS – in million of euros</i>	S1 2022	S1 2021	2021 reminder
Revenue	5.2	5.2	13.1
Other income from operating activities	0.5	0.8	1.5
Income from current operations	5.7	6.0	14.6
Cost of materials	(5.1)	(1.8)	(10.5)
Payroll charges	(7.9)	(5.7)	(11.6)
Other operating expenses	(9.7)	(4.4)	(8.0)
Depreciation, amortization and provisions	(2.3)	(2.4)	(8.0)
Current operating income	(19.4)	(8.4)	(23.5)
Other non-recurring income and charges	(0.5)	(0.0)	0.0
Cost of net financial debt	0.2	(0.2)	(0.0)
Income tax expense	0.0	(0.0)	(0.0)
Net profit (loss)	(19.7)	(8.6)	(23.5)

4.1. Commercial activity

The sales activity remains strong, notably with the recent calls for tenders won by the Group for large-scale projects that will constitute revenue for the coming semesters, including, in particular, the following order intake and activities:

- **R-Hynoca**, for the installation of the first hydrogen station in Strasbourg;
- **CEOG**, for the construction of the West Guiana Power Plant. This will combine photovoltaic energy and massive electricity storage mainly in the form of hydrogen;
- **Eiffage**, through one of its subsidiaries, also signed a contract with McPhy at the beginning of the year to equip a site in Belfort with a 1 MW electrolyzer and a charging station capable of distributing up to 800 kg per day to refuel a fleet of hydrogen buses;
- **Hype** and McPhy signed their first two orders as part of their partnership to supply: (i) two 2 MW alkali electrolyzers whose capacity can be increased to 4 MW, and (ii) two Dual Pressure stations with a capacity of 800 kg per day each to be installed in the Paris region;

McPhy notes that the market it serves remains very buoyant, but nevertheless observes frequent delays by customers in their order-taking decisions. This situation is notably explained by the wait-and-see attitude of certain economic players, that are themselves dependent on public funding mechanisms.

Geographical breakdown of revenue:

<i>(In thousands of euros)</i>	S1 22		S1 21		2021	
Europe	4,837	93%	4,822	93%	12,562	96%
Middle East, Africa	27	1%	69	1%	122	1%
Americas	113	1%	52	1%	73	1%
Asia/Pacific	237	5%	271	5%	373	3%
Total	5,214	100%	5,212	100%	13,130	100%

4.2. Consolidated results

Income from operations reflects growth investments and prudent project management during the period:

During this first half-year, the Group continued its development strategy in order to support the expected growth of its business. This is reflected in an increase in current expenses related to:

- the development of its industrial capacities with the opening of the new station production site in Grenoble;
- innovation and R&D expenses related to the future commissioning of its new range of electrolyzers and stations;
- the structuring of teams and the active recruitment policy.

In this environment, employee expenses increased by €2.2 million over one year to represent €7.9 million in the first half of 2022, reflecting the net recruitment of 32 new employees during the half-year.

Other expenses were €4.4 million in the first half of 2021 and €9.7 million in the first half of 2022, including €6 million committed to strengthen the Group's industrial and R&D teams (industrial subcontracting, recruitment costs and technical expertise).

To cover any contingencies related to the technical guarantee of its installed base of new generation electrolyzers, the Group has also set aside a provision of around €3 million in non-recurring expenses.

- Consolidated current operating income thus amounted to €(19.4) million, compared to €(8.4) million in the first half-year 2021. Net profit (loss) amounted to €(19.7) million, compared to a loss of €(8.6) million over the same period in 2021.
- The Group's cash position remains solid thanks to controlled cash consumption: at June 30, 2022, McPhy had cash of €141.8 million compared to €177.2 million at December 31, 2021. Cash consumption amounted to just over €35 million over the half-year, including €12 million in respect of the financial investment in Hype convertible bonds subscribed as part of the strategic partnership with the latter. The balance, *i.e.* €23 million, is the result of the cash consumption required by the Group to finance its industrial investment and R&D policy.

4.3. OTHER ELEMENTS

Net assets at June 30, 2022 amounted to €152.6 million, and can be summarized as follows:

ASSETS (in millions of euros)	
Goodwill	2.50
Other non-current assets	25.70
Current assets	25.70
Cash and cash equivalents (*)	141.80
LIABILITIES (in millions of euros)	
Non-current liabilities	(10.60)
Current liabilities	(32.60)
NET ASSETS	152.60

(*) The change in cash and cash equivalents in the composition of the assets can be summarized as follows:

Opening cash and cash equivalents at January 1, 2022	177.2
USES	
Cash flow from operations	(17.9)
Increase in WCR	(1.9)
Non-financial investments	(3.1)
Financial investments	(12.0)
Bank loan repayments	(0.5)
RESOURCES	
Capital increase	0.1
New bank lending	
Closing cash and cash equivalents at June 30, 2022	141.8

(in millions of euros)

5. RELATED PARTY TRANSACTIONS

No significant related party transactions took place during the period, without prejudice to the regulated agreement signed between McPhy and Technip Group on February 8, 2022, as published in accordance with regulations.

6. RISKS AND UNCERTAINTIES

Aside from the risks indicated in the “Risk factors” chapter of the 2021 Universal Registration Document filed with the AMF, Management did not identify any new risks during this half-year. The Group remains attentive to the nature of the commercial contracts to which it enters into, in particular when these contracts contain performance clauses likely to modify Management’s estimates as to the timing of its percentage-of-completion revenue in accordance with IFRS 15.

7. FORESEEABLE TRENDS

In view of the results of the first half-year 2022, McPhy notes a gradual ramping up of the low-carbon hydrogen market and anticipates more moderate growth in its revenue over the 2022 fiscal year than initially anticipated. During the second half of the year, the Group will continue its industrial investments, notably by announcing its final decision on the construction of a Gigafactory. It also intends to support its active human resources policy with a target of more than 60 net recruitments in 2022. The market in which McPhy operates remains buoyant. The Group will therefore continue to accelerate its growth investments, particularly in R&D, which will consequently weigh on its profitability.



PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT**1. PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT**

Jean-Baptiste Lucas, Chief Executive Officer

2. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I hereby certify, to the best of my knowledge, that the condensed financial statements for the past half-year have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and of all the companies included in its scope of consolidation, and that the accompanying half-year management report presents a true and fair view of the significant events that have occurred during the first six months of the fiscal year, their impact on the financial statements, and the main related party transactions and that it describes the main risks and uncertainties for the remaining six months of the fiscal year.

September 15, 2022

Jean Baptiste Lucas
Chief Executive Officer



STATUTORY AUDITORS' REPORT

Concerning the half-year financial data

To the Shareholders,

In accordance with our appointment granted by your Shareholders' General Meeting, and pursuant to Article L. 451-1-2 III of the Monetary and Financial Code, we have performed:

- a limited examination of the condensed consolidated half-year financial statements of McPhy Energy for the period from January 1, 2022 to June 30, 2022, as attached to this report;
- the verification of the information given in the half-year management report.

These condensed consolidated half-year financial statements have been drawn up under the responsibility of the Board of Directors. Our role is to express our findings concerning these financial statements, on the basis of our limited examination.

1. Findings concerning the financial statements

We conducted our limited examination in accordance with the professional standards applicable in France. A limited examination essentially consists of speaking with the members of management in charge of accounting and financial matters and of implementing analytical procedures. This work is less extensive than that required for an audit carried out in accordance with the professional standards applicable in France. As a result, the level of confidence with which we may assert that the financial statements, as a whole, do not contain major errors, on the basis of a limited examination, is lower than would be the case in the event of an audit.

On the basis of our limited examination, we have not observed any major errors that would call into question the conformity of the condensed consolidated half-year financial statements with the IAS 34 standard, IFRS benchmark standard as adopted in the European Union for interim financial information.

2. Specific verification

We have also verified the information given in the half-year management report commenting the condensed consolidated half-year financial statements on which we performed our limited examination. We have no matters to report as to their fair presentation and their consistency with the condensed consolidated half-year financial statements.

September 15, 2022

Statutory Auditors

SARL AUDIT EUREX

Guillaume Belin

DELOITTE & ASSOCIES

Hélène de Bie