

GREEN HYDROGEN PRODUCER



Lhyfe

FOR INDUSTRY AND MOBILITY





Société anonyme

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Half-year Financial Report as of 30 June 2022

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Certification by the person responsible

I certify, to 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 financial performance of the Company and of all the companies included in the consolidation, and that the half-yearly activity report appearing on page 5 presents a true and fair view of the significant events that occurred during the first six months of the financial year, their impact on the financial statements, the main related party transactions and describes the main risks and uncertainties for the remaining six months of the financial year.

Nantes, 20 September 2022

Matthieu Guesné, Chairman and Chief Executive Officer of Lhyfe

Half-year activity report

1 Significant events of the period

1.1 Financing

During the 1st half of 2022, the Group benefited from various sources of financing, the most significant of which being the initial public offering (IPO).

Thus, prior to the IPO on 31 March 2022, the Group and Mitsui & Co., Ltd. (“Mitsui”), one of Japan’s leading commercial and investment conglomerates, have signed an agreement to develop the renewable green hydrogen produced by Lhyfe and support the latter in its international deployment.

As part of this partnership, Mitsui subscribed bonds convertible into Lhyfe’s new shares for €10m. These bonds were converted at the time of the IPO with an issue price reduced by a 10% discount. At the time of the transaction, Mitsui held 2.65% of the Group’s capital.

The initial public offering of Lhyfe enabled a capital increase of €118.3m, including €8.3m for the over-allotment option, plus the conversion of €47.8m of convertible bonds into shares on the settlement-delivery date.

The shares first traded on 23 May 2022 on the regulated market of Euronext in Paris at a share price of €8.75, i.e. a market capitalisation of €411m.

On this occasion, EDP Renewables Europe, S.L.U. (“EDPR”), the world’s fourth largest wind power producer, invested €25m in Lhyfe. At the same time, both companies have reached an agreement whereby EDPR will provide renewable electricity to Lhyfe’s hydrogen projects. This agreement also establishes the basis for collaboration to identify, develop, build and manage green hydrogen production projects together. Thus, in addition to the supply of renewable electricity for Lhyfe’s green hydrogen projects, EDPR will also consider Lhyfe’s participation in its own projects located in the countries in which the Group currently operates. Both companies will also work together to identify new projects that they will be able to finance together.

1.2 Progress of the projects

The increase in production capacity at the Bouin unit (France), the leading industrial site in the world connected directly to a wind farm, is ongoing (permits and equipment orders). Current total production capacity of 750 kW, i.e. approximately 300 kg of green hydrogen produced a day, is set to rise to 2.5 MW (i.e. around 1 t/day) at the beginning of 2024 to meet the growing demand in the region.

In Bretagne (France), a unit with a total capacity of 5 MW (i.e. around 2 t/day of green hydrogen) is currently under construction (permits pending) with commissioning planned for the second half of 2023. This unit is part of the VhyGo project (*Vallée Hydrogène Grand Ouest*), which aims to build the first supra-regional infrastructure for the distribution of green hydrogen in France, is supported by the ADEME for €2.8m. The consortium comprising HyGO, GNVert and Lhyfe has been awarded a Global Performance Contract by the Lorient agglomeration for the conception, construction, operation and maintenance of two renewable hydrogen refueling stations. Lhyfe will supply renewable hydrogen over a 10-year period.

In Occitanie (France), Lhyfe set up the Lhyfe Bessières SPV for the construction of a 5 MW unit in Bessières (Haute-Garonne), with commissioning expected at end-2023. This project won the Corridor H₂ call for projects by the Occitanie region.

In Germany, Lhyfe received approval from the city of Schwäbisch Gmünd for the construction of a 10 MW (i.e. around 4 t/day) unit as well as a hydrogen distribution station for the general public and a pipeline to supply the future “H₂-Aspen” technology park with green hydrogen. The plant is expected to be operational in the first half of 2024. This project is part of the HyFIVE (Hydrogen For Innovative Vehicles) project, which has received a €33m funding from the European Regional Development Fund (ERDF).

1.3 Business evolution

In Sweden, Lhyfe has signed a memorandum of understanding with the energy company Skyborn Renewables (ex-wpd) to construct and operate a green hydrogen production site, to be built in several phases to construct and operate 2025, with an installed capacity of 600 MW (i.e. an estimated production of 240 tonnes of green hydrogen/day), directly connected to an offshore wind farm in the North Sea.

Also in Sweden, Lhyfe and Trelleborgs Energi, a Swedish energy company, started an initial pre-study phase to set up a local green hydrogen production of around 5 MW in the south of the country. Trelleborg is a major transport hub, which will require hydrogen supply for distribution stations and hydrogen vehicles.

In Norway, Lhyfe and Horisont Energi, a provider of transport services and clean energy and CO₂ storage, signed a memorandum of understanding for the development of green ammonia production factories in Europe, fuelled by green hydrogen produced by Lhyfe, to supply Norway’s important maritime sector.

1.4 SEM-REV project

During the 1st half of 2022, the Group continued its research and development activities on the various projects undertaken at the end of 2021. More specifically, the engineering teams worked on the SEM-REV project as part of the commissioning of the production platform scheduled for the autumn of 2022. The Group invested in this project a total amount of €1.2m over the half-year, both in equipment acquisitions (€0.3m) and operating expenses (€0.9m). At the end of the semester and in accordance with the schedule initially established, the site is being commissioned on the barge located near Saint Nazaire with a planned opening on 22 September 2022.

On 23 June 2022, this project also received approval from the French Government for the allocation of a contribution by “France 2030”. This financing provided by the French State and made through the ADEME amounted to €1m and was signed in July 2022.

The platform will have production capacity of 400 kg of green hydrogen per day, i.e total capacity of 1 MW.

In parallel, in June 2022, Lhyfe and Chantiers de l’Atlantique signed a memorandum of understanding for the development of hydrogen production platforms not only offshore but also in port areas. For these offshore projects, the two companies plan to develop hydrogen production solutions with capacity of at least 100 MW, which will be installed on existing fixed structures, or on either fixed or floating foundations.

By 2030-2035, offshore could therefore provide the Group with around 3 GW in additional installed capacity.

1.5 International deployment

In line with its international deployment operations, the Group created two companies to support business development in Spain (with the incorporation of Lhyfe Hidrogeno S.L.) and in the United Kingdom (with the incorporation of Lhyfe UK Ltd).

1.6 Workforce growth in France and Europe

With the constant increase in the number of projects to be developed, the Group's size and as envisaged in the Group's ambitions, the full-time equivalent more than tripled in the first half of 2022 compared to the first half of 2021. As a result, the Group's headcount as of 30 June 2022 was 102.

The Group intends to continue this growth in the coming years. At mid-September, the Group's headcount was 127.

1.7 Premises

On 15 March 2022, the Group signed a commercial lease for new premises located in Nantes in order to have enough space to support its recruitment plan. This 10-year lease, including a firm 6-year period, took effect on 1 April 2022 and the Group took possession of the premises in July 2022.

1.8 Equipment order

Lhyfe entered into a master agreement with Plug Power Inc. ("Plug") to purchase electrolysers on 30 June 2022. Under this agreement and in connection with the development of onshore projects, the Group placed a first order with Plug over the period for three electrolysers, equivalent to 15 MW.

1.9 Impact of the crisis in Ukraine

With regard to the current situation related to the conflict between Russia and Ukraine, beyond the macroeconomic consequences, the Group currently considers that it has not been impacted insofar as it does not carry out any sales, or does not source itself from any of these countries, or from areas directly affected by this conflict, and none of its assets are located there.

2 Review of financial statements

2.1 EBITDA

In thousands of euros	30/06/2022	30/06/2021
Revenue	277	-
Income from ordinary activities	277	-
Purchases consumed	-107	-2
External costs	-2,837	-899
Personnel costs	-4,427	-1,035

Taxes and similar payments	-29	-14
Other current operating income and expenses	852	183
EBITDA	-6,271	-1,765

Revenue for the period consists exclusively of hydrogen sales produced on the Bouin site. Over the 1st half of 2021, the Group generated no revenue, as the production site was only commissioned in the last quarter of 2021. The same applies to purchases consumed, which were zero in H1 2021 in the absence of production activity.

EBITDA for the period was heavily impacted by the Group's efforts to ensure its development.

As such, the financial statements as of 30 June 2022 show an increase in personnel expenses in connection with the growth in headcount, after the Group's average headcount almost more than tripled between H1 2021 and H1 2022. This increase concerns all departments and more specifically the engineering teams, which will enable the Group to develop its solutions and secure its roadmap in terms of site deployment and the teams dedicated to commercial development in order to identify the projects supporting the roadmap as well.

Similarly, external expenses increased significantly following the substantial recruitments during the period, which impact the Group's fixed costs on various items such as travel expenses, rentals and recruitment fees. The Group's development, particularly internationally, also increased fees. Marketing and communication expenses were also up due to recruitment and the Group's internationalisation. Lastly, research and development activities, including the SEM-REV project, generated significant expenses during the half-year, particularly for studies.

Other current operating income and expenses include income from subsidies on research and development costs (particularly on the SEM-REV project) as well as proceeds from the resale of electricity not consumed by the Group on the Bouin site under the contract signed with the aggregator.

2.2 Operating income

In thousands of euros	30/06/2022	30/06/2021
EBITDA	-6,271	-1,765
Depreciation and amortisation	-413	-77
Changes in provisions	-20	-
Current operating income	-6,704	-1,843
Other non-current operating income and expenses	-1,076	-
Non-current operating income	-1,076	-
Operating income	-7,780	-1,843

The Group's operating income amounted to -€7.8m, compared with -€1.8m as of 30 June 2021, in connection with additional EBITDA losses of €4.5m, plus the effect of depreciation charges for the period following the commissioning of the Bouin site in the last quarter of 2021. Other non-current operating income and expenses consist exclusively of expenses incurred by the Group in connection with its initial public offering for the portion that cannot be deducted from the issue premium in amount of €1.1m.

2.3 Net income

In thousands of euros	30/06/2022	30/06/2021
Operating income	-7,780	-1,843
Cost of financial debt	-6,152	-95
Other financial income and expenses	-5	16
Net financial income	-6,157	-79
Earnings before taxes	-13,937	-1,922
Income tax	-0	-0
Net income	-13,937	-1,922

Net income for the period was heavily impacted by financial income for the half-year, which amounted to -€6.2m. The financial loss for the period [-€4.4m] is mainly due to the recognition of the discount on OCA LB1, OCA LB3, OCA LB4 and OCA LB5 convertible bonds converted at the time of the Company's IPO. However, this impact on the financial statements as of 30 June 2022 has no impact on the Group's cash position, as it does not give rise to any disbursement. The balance of financial expenses is related to the interest paid on these same convertible bonds as well as the OCA LB2 and OCA LB2 Bis convertible bonds, which remained in the financial statements as of 30 June 2022.

2.4 Assets

In thousands of euros	30/06/2022	31/12/2021
Intangible assets	2,760	1,686
Property, plant and equipment	6,192	4,948
Rights of use	5,982	2,832
Other non-current assets	1,158	633
Non-current assets	16,092	10,099
Inventories	26	-
Trade receivables and related accounts	449	224
Other current assets	3,152	2,345
Cash and cash equivalents	165,464	49,888
Current assets	169,091	52,457
Assets	185,183	62,556

2.4.1 Non-current assets

Non-current assets were up €6m in H1 2022 in connection with the Group's onshore R&D activities and the design of the Group's software tools (+€0.5m), the activation of costs related to the Group's projects after the Tender Ready phase (+€0.5m), the leasing of new premises (+€3.3m) and equipment orders for ongoing projects (+€1m). Lastly, the balance of the change in the item is mainly related to the liquidity contract entered into by the Company following its initial public offering (€0.3m).

2.4.2 Current assets

The €116.6m increase in current assets over the first half was mainly due to the €115.6m increase in cashflow for the period, which is broken down as follows:

STATEMENT OF CASH FLOWS in thousands of euros	30/06/2022	30/06/2021
Cash flows from operating activities	-7,408	-2,087
Cash flows from investing activities	-3,084	-1,706
Capital increases, net of fees	112,558	7
Proceeds from borrowings, net of fees	9,498	1,061
Receipts of grants	1,321	274
Repayments of borrowings and shareholder loans	-144	-
Change in WCR related to financing	2,835	-11
Cash flows from financing activities	126,068	1,330
Change in cash and cash equivalents	115,577	-2,462

Cash consumption for the period related to the operations amounted to €7.4m, mainly due to EBITDA for the first half of the year of -€6.3m, plus the impact of a change in WCR of -€0.5m as well as the expenses incurred by the Company in connection with the initial public offering and not included in issue premiums (€1.1m).

Flows linked to investment activities are described in the paragraph dedicated to non-current assets.

Lastly, the Group's cash position was mainly impacted by financing activities, which are detailed as follows:

- the capital increase carried out by the Company in the amount of €118.3m, including the initial capital increase of €110m as well as the over-allotment option of €8.3m, these two amounts having been decreased by €5.8m capital increase costs for the portion having been classified as a reduction in the issue premium;
- the issue of new loans in the amount of €10m following Mitsui's subscription of convertible bonds OCA LB5 prior to the Company's IPO;
- the collection of €1.3m in subsidies, including €0.6m related to the subsidy obtained from ADEME as part of the ongoing project in Morbihan and €0.6m related to the payment of the research tax credit from which the Group benefited in 2021.

Lastly, flows from financing activities were positively impacted by €2.7m in connection with fees for the IPO remaining to be paid as of 30 June 2022.

2.5 Liabilities

In thousands of euros	30/06/2022	31/12/2021
Shareholders' equity	144,894	-6,180
Non-current provisions	27	8
Non-current borrowings and financial debts	21,397	55,103
Non-current derivative financial instruments	-	132
Other non-current liabilities	7,524	6,544
Non-current liabilities	28,948	61,787
Current provisions	1	-
Current borrowings and financial debts	1,695	3,238
Trade payables and related accounts	6,826	2,063

Other current liabilities	2,820	1,647
Current liabilities	11,342	6,949
Liabilities	185,183	62,556

2.5.1 Shareholders' equity

The Group's shareholders' equity increased by €151.1m and was mainly impacted by:

- the conversion of convertible bonds OC L, OC LB, OCA LB1, OCA LB3, OCA LB4 and OCA LB5 for €52.6m (after taking into account the related discounts);
- the capital increase resulting from the IPO for a total amount of €118.3m (including the over-allotment option);
- the allocation of a portion of costs related to the capital increase in the amount of €5.8m;
- the loss of €13.9m for the period.

2.5.2 Debt

The Group's total debt (including the current and non-current portion) is down €35.2m. This change is mainly explained by Mitsui's subscription to convertible bonds prior to the IPO (+€10m), the conversion of convertible bonds at the time of the IPO, which reduced debt by €47.8m, partially offset by the recognition of debt related to the new premises leased by the Company (+€3.3m).

3 Events after the end of the interim period

3.1 Conclusion of collaboration and business development agreement with Plug and order of electrolyzers

Lhyfe signed a partnership agreement with Plug, a major player in green hydrogen, to continue their collaboration and jointly develop green hydrogen production units across Europe. This collaboration aims to co-develop by 2025 a total hydrogen production capacity of 300 MW (i.e. up to 120 tonnes of green hydrogen per day) across Europe, which will mainly serve on-road and off-road mobility applications.

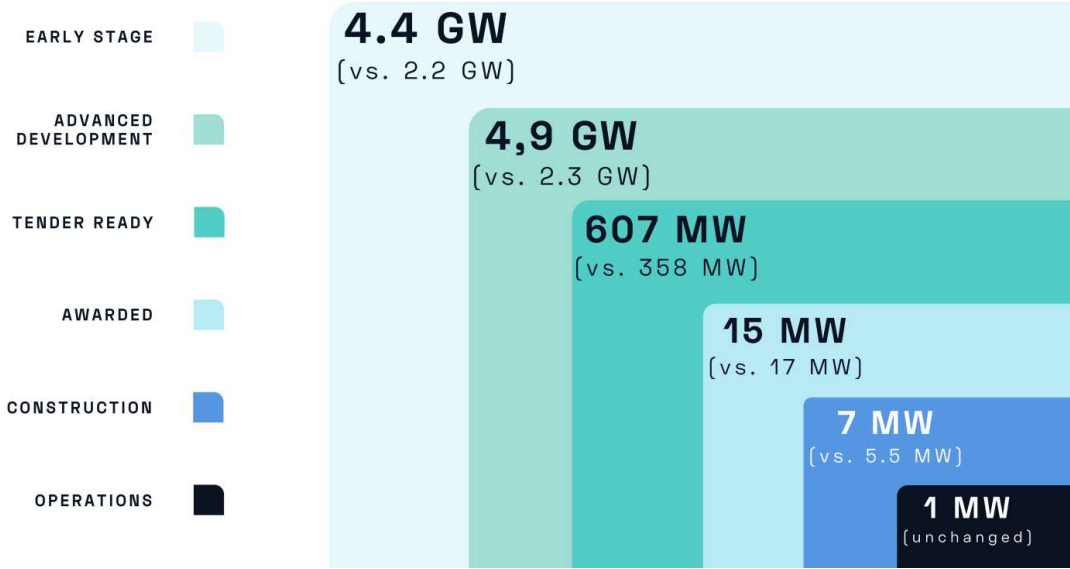
The agreement is backed by a collaboration initiated in 2021 between the two companies, which has already resulted in the deployment by Lhyfe of the world's first offshore hydrogen production unit, for which Plug provided its PEM electrolyser technology and which will be inaugurated on 22 September 2022, as well as in the order by Lhyfe of ten Plug Power electrolyzers of 5 MW each. These electrolyzers, with a total capacity of 50 MW (i.e. up to 20 tonnes per day), will enable Lhyfe to produce green hydrogen in several plants across Europe. This is the largest order for electrolyzers ever placed by a French company.

3.2 A commercial pipeline representing a total installed capacity of 9.8 GW by mid-September 2022

Over the past months, Lhyfe's commercial portfolio has grown significantly, in a market environment supported by the European energy independence plan RepowerEU, which sets a target to produce 20 million tonnes of green hydrogen by 2030.

As of mid-September 2022, Lhyfe’s commercial pipeline represented a total installed capacity of 9.8 GW (i.e. an estimated production of more than 3,300 tonnes of green hydrogen/day) by 2030 (compared to a capacity of more than 4.8 GW in April 2022), broken down by project phase as follows:

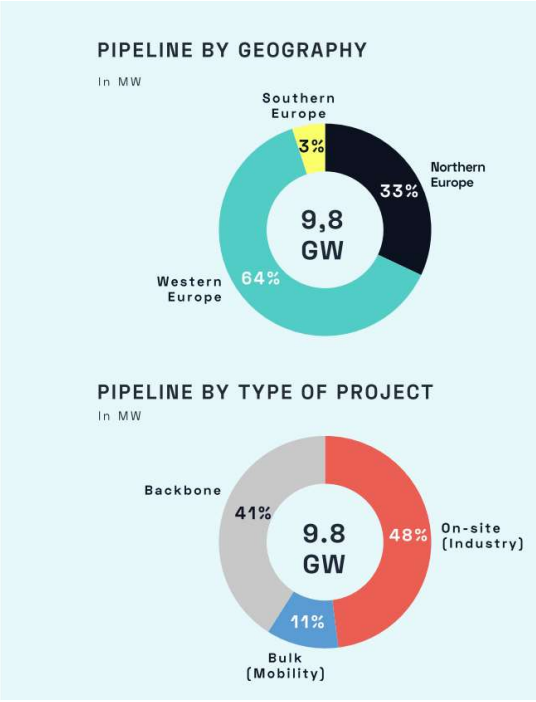
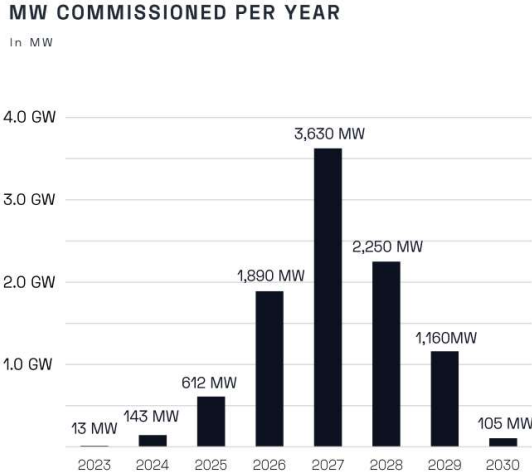
OVERVIEW OF THE ONSHORE PROJECT PIPELINE BY PHASE
[vs. April 2022]



The commissioning horizon of the Group’s commercial pipeline projects is detailed below:

SPLIT OF THE 9.8 GW ONSHORE PROJECTS PIPELINE

AT MID-SEPTEMBER 2022



Within this commercial portfolio, projects at an advanced stage of development¹ now represent a total installed capacity of 629 MW (vs. 380 MW in April 2022).

¹ Projects in "Tender ready", "Awarded" or "Construction" phases. The definition of these phases is detailed in Section 10.1 of the Registration Document approved by the AMF on 21 April 2022.

The commercial pipeline does not include offshore projects.

3.3 Confirmation of financial objectives

Building on this strong commercial pipeline, Lhyfe confirmed, on the occasion of the publication of its interim accounts, based on the assumptions detailed in Section 10.1 of the Registration Document approved by the AMF on 21 April 2022 and available on Lhyfe's website, the objectives set at the time of its IPO to make the company one of the leaders in the production of green hydrogen in Europe, by rapidly deploying onshore green hydrogen production units that could reach several hundred MW beyond 2025.

Lhyfe aims to have a total installed capacity of 55 MW by 2024.

For 2026, Lhyfe has set a target for a total installed capacity reaching 200 MW, which for the year ending 31 December 2026 means:

- around €200 million in consolidated revenues; and
- Group EBITDA² at breakeven.

By 2030, the Group plans to become a green hydrogen production reference player and more specifically to have over 3 GW in total installed capacity.

In the long term, the Group is targeting a Group EBITDA margin³ above 30%.

3.4 International development

Several subsidiaries are in the process of being created in the second half of 2022. These various subsidiaries are intended to carry out projects particularly in France and Germany.

3.5 Transfer of the Company's registered office

Following the Company's move to new premises in Nantes, the Board of Directors decided on 20 September to transfer the registered office to 1 ter mail Pablo Picasso - 44000 Nantes.

4 Information on risks and uncertainties for the next half-year

The risk factors presented in the Registration Document published by Lhyfe and approved by the AMF on 21 April 2022 have not undergone any significant changes in nature or level.

5 Main related party transactions

During the interim period, there were no transactions between related parties other than those in the ordinary course of business.

² "Group EBITDA": current consolidated operating profit before depreciation, amortisation and provisions, as it appears in the IFRS consolidated financial statements

³ "Group EBITDA Margin": ratio "EBITDA/Revenues".

Interim consolidated accounts

Condensed consolidated income statement

In thousands of euros	Notes	30/06/2022	30/06/2021
Revenue	2.1.2	277	-
Income from ordinary activities		277	-
Purchases consumed		-107	-2
External costs	2.1.4	-2,837	-899
Personnel costs	2.1.5	-4,427	-1,035
Taxes and similar payments		-29	-14
Other current operating income and expenses	2.1.6	852	183
EBITDA	2.1.3	-6,271	-1,765
Depreciation and amortisation	2.1.7	-413	-77
Changes in provisions	2.1.7	-20	-
Current operating income		-6,704	-1,843
Other non-current operating income and expenses	2.1.8	-1,076	-
Non-current operating income		-1,076	-
Operating income		-7,780	-1,843
Cost of financial debt	2.2	-6,152	-95
Other financial income and expenses	2.2	-5	16
Net financial income		-6,157	-79
Earnings before taxes		-13,937	-1,922
Income tax	2.3	0	0
Net income		-13,937	-1,922
Earnings per share (in euros)	2.4	(0.56)	(9.94)
Diluted earnings per share (in euros)	2.4	(0.56)	(9.86)

Condensed consolidated statement of comprehensive income

In thousands of euros	Notes	30/06/2022	30/06/2021
Net income for the period		-13,937	-1,922
Change in fair value of hedging financial instruments		-	-
Currency translation differences		-	-
Change in fair value of debt securities		-	-
Items that are or may be reclassified to income statement		-	-
Remeasurement of defined benefit plans		-	-
Tax effect		-	-
Items that will not be reclassified to income statement		-	-
Other comprehensive income		-13,937	-1,922

Condensed consolidated statement of financial position

ASSETS In thousands of euros	Notes	30/06/2022	31/12/2021
Intangible assets	3.1.1	2,760	1,686
Property, plant and equipment	3.1.2	6,192	4,948
Rights of use	3.1.2	5,982	2,832
Other non-current assets	3.3	1,158	633
Deferred tax assets		-	-
Non-current assets		16,092	10,099
Inventories		26	-
Trade receivables and related accounts	3.4	449	224
Other current assets	3.3	3,152	2,345
Cash and cash equivalents	3.2	165,464	49,888
Current assets		169,091	52,457
Assets		185,183	62,556
LIABILITIES In thousands of euros	Notes	30/06/2022	31/12/2021
Share capital	3.5.1	479	2
Premiums	3.5.1	163,821	3,939
Reserves	3.5.1	-5,470	-1,396
Net income		-13,937	-8,724
Shareholders' equity		144,894	-6,180
Non-current provisions	3.11	27	8
Non-current borrowings and financial debts	3.6	21,397	55,103
Non-current derivative financial instruments	3.7	-	132
Deferred tax liabilities	3.12	-	-
Other non-current liabilities	3.9	7,524	6,544
Non-current liabilities		28,948	61,787
Current provisions	3.11	1	-
Current borrowings and financial debts	3.6	1,695	3,238
Current derivative financial instruments	3.7	-	-
Trade payables and related accounts	3.8	6,826	2,063
Other current liabilities	3.9	2,820	1,647
Current liabilities		11,342	6,949
Liabilities		185,183	62,556

Consolidated statement of changes in equity

EQUITY In thousands of euros	Notes	Share capital	Capital- related reserves	Treasury shares	Retained earnings	Other comprehensive income and expenses in equity	Shareholders' equity - Group share
Shareholders' equity as of 1 January 2021		2	3,932	-	-1,455	-	2,478
Capital increases		-	7	-	-	-	7
Payment in shares		-	-	-	29	-	29
Net income		-	-	-	-1,922	-	-1,922
Shareholders' equity as of 30 June 2021	3.5.1	2	3,939	-	-3,347	-	593
Capital increase		-	-	-	-	-	-
Payment in shares		-	-	-	29	-	29
Net income		-	-	-	-6,802	-	-6,802
Shareholders' equity as of 31 December 2021	3.5.1	2	3,939	-	-10,121	-	-6,180
Capital increases		477	159,882	-	4,781	-	165,140
Payment in shares		-	-	-	32	-	32
Translation adjustment		-	-	-	5	-	5
Change in treasury shares		-	-	-165	-	-	-165
Net income		-	-	-	-13,937	-	-13,937
Shareholders' equity as of 30 June 2022	3.5.1	479	163,821	-165	-19,241	-	144,894

Condensed statement of cash flows

In thousands of euros	Notes	30/06/2022	30/06/2021
Consolidated net income		-13,937	-1,922
Eliminations:			
- depreciation, amortisation and provisions	2.1.7	433	77
- net financial income	2.2	6,157	79
- calculated expenses related to share-based payments	2.1.5	32	29
- income from grants	2.1.8	-611	-156
Impact of WCR change:			
- Change in inventories		-26	-
- Change in trade receivables	3.4	-225	-6
- Change in other current receivables (excluding subsidies)	3.3	-534	-300
- Change in trade payables	3.8	128	-53
- Change in other current liabilities	3.9	1,176	164
Cash flows from operating activities		-7,408	-2,087
Acquisitions of intangible assets	3.1.1	-1,086	-352
Acquisitions of property, plant and equipment	3.1.2	-1,455	-1,360
Acquisitions of financial assets	3.3	-525	8
Financial interest received	2.2	-17	-2
Cash flows from investing activities		-3,084	-1,706
Capital increases, net of fees	3.5.1	112,558	7
Proceeds borrowings, net of fees	3.6	9,498	1,061
Receipts of repayable advances	3.6.3	-	-
Receipts of grants	3.9	1,321	274
Repayments of borrowings and shareholder loans	3.6	-144	-
Change in WCR related to financing, net of unpaid IPO fees	3.8	3,535	-
Change in accrued interest	3.6	-700	-11
Cash flows from financing activities		126,068	1,330
Change in cash and cash equivalents		115,577	-2,462
Cash and cash equivalent at the beginning of the period	3.2	49,888	7,258
Cash and cash equivalent at the end of the period		165,464	4,796
Change in cash and cash equivalent		115,577	-2,462

Notes to the interim consolidated accounts

1 General notes

1.1 General information

Lhyfe is a French public limited company (*société anonyme*) registered with the Nantes Trade and Companies Register under number 850 415 290 (and referred to as the “Company”). Its registered office is located in France, 1 ter mail Pablo Picasso, 44000 Nantes. The consolidated accounts of Lhyfe include the Company and its subsidiaries (together referred to as the “Group”).

This note forms an integral part of the Group’s condensed IFRS consolidated accounts for the six months ended 30 June 2022.

All amounts are expressed in thousands of euros, unless otherwise stated.

1.2 Description of the Group’s activity

Founded in Nantes in 2017, Lhyfe is a renewable green hydrogen producer and supplier for mobility and industry. Its production site and its commercial project pipeline are expected to provide access to renewable green hydrogen in industrial quantities, and to enter a virtuous energy model focused on environmental benefits. It is a member of France Hydrogène and Hydrogen Europe.

1.3 Highlights of the period

1.3.1 Fundraising

During the 1st half of 2022, the Group carried out two fundraising operations.

- Issue of convertible bonds

On 31 March 2022, the Group and Mitsui & Co., Ltd. (“Mitsui”), one of Japan’s leading commercial and investment conglomerates, have signed an agreement to develop the renewable green hydrogen produced by Lhyfe and support the latter in its international deployment.

As part of this agreement, Mitsui subscribed bonds convertible into new Lhyfe shares for €10m. These bonds were converted at the time of the IPO with an issue price reduced by a 10% discount. At the time of the transaction, Mitsui holds 2.65% of the Group’s capital.

- Initial public offering

The IPO of Lhyfe led to a capital increase of €118.3m, including €8.3m for the over-allotment option, in addition to the conversion of €47.8m of convertible bonds into shares on the day of settlement-delivery.

The shares were first traded on 23 May 2022 on the Euronext regulated market in Paris for a share price of €8.75, i.e. a market capitalisation of €411m. This transaction resulted in the issue of 13,524,147 new ordinary shares, bringing the Company’s share capital to €479,004.48 after the settlement-delivery of the over-allotment option, divided into 47,900,448 ordinary shares. The issue premium, net of costs directly related to the transaction, was increased to €163,820,724.74.

EDP Renewables (“EDPR”), the world’s fourth largest wind power producer, invested €25m on this occasion. In addition to EDPR’s subscription to Lhyfe’s capital, both companies entered into an agreement whereby EDPR will provide renewable electricity to Lhyfe’s hydrogen projects. This agreement also establishes the basis for collaboration to identify, develop, build and manage green hydrogen production projects together. In addition to the supply of renewable electricity for Lhyfe’s green hydrogen projects, EDPR will also consider Lhyfe’s participation in its own projects located in the countries in which the Group currently operates. The two companies will also work together to identify new projects that they will be able to finance together, in terms of research & development and equipment supply.

1.3.2 SEM REV project

During the 1st half of 2022, the Group continued its research and development activities on the various projects undertaken at the end of 2021. More specifically, the engineering teams worked on the SEM-REV project as part of the commissioning of the production platform scheduled for the autumn of 2022. The Group invested a total of €1.2m in this project over the first half of the year, both in the acquisition of equipment (in the amount of €0.3m) and in operating expenses (€0.9m). At the end of the semester and in accordance with the schedule initially established, the site is being put into service on the barge located near Saint Nazaire.

On 23 June 2022, this project also received approval from the Government for the allocation of a contribution by France 2030. This financing provided by the French State and made through ADEME amounted to €1m and was signed in July 2022.

1.3.3 Development of onshore projects and creation of SPV

At the same time, the Company continues to develop its activities in France, with the creation of two new entities in H1 2022:

- Lhyfe Morbihan, created on 11 February 2022 to carry out the project in Lorient;
- Lhyfe Bessières, created on 27 April 2022 to carry out the project in Occitanie.

It should be noted that in January 2022 the Group received the first payment provided for in the financing agreement signed with ADEME in December 2021 for the construction of the hydrogen production site in Morbihan. This payment amounts to €0.6m out of a total amount granted of €2.8m.

1.3.4 International deployment

In line with its international deployment operations, the Group registered two new subsidiaries dedicated to business development:

- Lhyfe Hidrogeno, located in Spain and registered on 18 February 2022;
- Lhyfe UK, registered on 3 May 2022.

1.3.5 Workforce growth in France and Europe

With the constant increase in the number of projects to be developed, the Group’s full-time equivalent more than tripled from 24 people in H1 2021 to 81 people in H1 2022. Even more growth is expected in the coming years.

1.3.6 Order for electrolysers

Lhyfe has entered into an agreement with Plug Power to purchase equipment for electrolysers with a total power of 50 MW. Under this agreement and in connection with the development of onshore projects, the Group placed a first order with Plug Power during the half-year for three electrolysers, equivalent to 15 MW.

1.3.7 Premises

On 15 March 2022, the Group signed a commercial lease for new premises located in Nantes in order to have enough space to support its recruitment plan. This 10-year lease, firm for the first 6 years, takes effect on 1 April 2022 and the Group took possession of the premises in the second half of 2022 (see Note 3.1.2).

1.3.8 Amendments to the Articles of Association prior to the IPO

At the Annual General Meeting of 3 March 2022, shareholders adopted the following decisions:

- Capital increase through the incorporation of issue premiums of €191,435.31 to increase the share capital from €1,933.69 to €193,369.00;
- Conversion of the company into a public limited company with a Board of Directors;
- Division of the nominal value of the Company's shares at an exchange rate of 100 new ordinary shares of a nominal value of €0.01 for one previously held share with a par value of €1.00 (23th resolution). At the end of the division, the share capital, which remains unchanged at €193,369.00, is divided into 19,336,900 ordinary shares with a nominal value of €0.01.

1.3.9 Impact of the crisis in Ukraine

With regard to the current situation related to the conflict between Russia and Ukraine, beyond the macroeconomic consequences, the Group currently considers that it has not been impacted insofar as it does not carry out any sales, or does not source itself from any of these countries, or from areas directly affected by this conflict, and none of its assets are located there.

1.4 Post-closing events

Lhyfe ordered 7 additional electrolysers from Plug with a power of 5 MW per production unit. Several subsidiaries are in the process of being created in the 2nd half of 2022. These various subsidiaries are intended to carry out projects in both France and Germany.

The Group also registered a company in Canada, Hydrogen Lhyfe Canada Inc., on 9 September 2022.

Finally, the registered office of Lhyfe was transferred to 1 ter, mail Pablo Picasso - 44000 Nantes on 20 September 2022.

1.5 Context for preparing the financial statements

The Group's condensed interim consolidated accounts were approved by the Board of Directors of Lhyfe SA on 20 September 2022.

The interim condensed consolidated accounts for the six months ended 30 June 2022 were prepared in accordance with IAS 34 “Interim Financial Reporting” and on the basis of IFRS and interpretations published by the International Accounting Standards Board (IASB) as adopted in the European Union, and mandatory as of 30 June 2022. These interim condensed consolidated financial statements therefore do not include all the information necessary for a complete set of financial statements prepared in accordance with IFRS, and must be read in relation to the latest consolidated accounts for the year ended 31 December 2021 of the Group prepared on the basis of IFRS. The purpose of the explanatory notes included in these condensed interim consolidated accounts is to explain significant events and transactions with a view to understanding changes in the Group’s financial position and performance since the last consolidated accounts.

1.6 General accounting principles

1.6.1 Accounting standards

The Group’s condensed consolidated accounts for the period ended 30 June 2022 were prepared in accordance with IFRS (International Financial Reporting Standards) as published by the IASB (International Accounting Standards Board) as adopted by the European Union on 31 December 2021, incorporating international accounting standards (IAS and IFRS), and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Interpretations Committee (IFRIC).

The standards applied are available on the website of the European Commission (<https://eur-lex.europa.eu/legal-content/FR/TXT/?uri=CELEX%3A02002R1606-20080410>).

The accounting methods and implementing rules used to prepare the condensed consolidated accounts are identical to those used in the most recent annual consolidated accounts.

The following standards, amendments and interpretations, which are mandatory for financial years beginning on or after 1 January 2022, did not have a significant impact on the financial statements:

- Amendment to IAS 16, Plant, Property and Equipment - proceeds before intended use;
- Amendment to IAS 37, Onerous contracts: cost of fulfilling a contract (05/20);
- Amendment to IFRS 3, Reference to the conceptual framework (05/20);
- Improvements to IFRS cycle 2018-2020 - IAS 41, Taxation in fair value measurements; IFRS 9, Derecognition of a financial liability: fees and costs to be included in the 10% test; IFRS 16, Lease incentives.

Furthermore, the Group has not chosen to apply in advance the standards, amendments and interpretations that will be mandatory from 1 January 2023 or later, it being specified that the Group is currently analysing the potential impacts of their entry into force.

1.6.2 Significant accounting estimates and judgements

As of 30 June 2022, the Group used assumptions, estimates or assessments as presented in Note 1.7.3 to the consolidated accounts as of 31 December 2021 for the preparation of its consolidated financial statements.

These estimates may be revised if the circumstances on which they were based change or as a result of new information.

1.7 Consolidation scope and methods

During the 1st half of 2022, the Group continued to expand by creating four subsidiaries, including two in France and two abroad. They are all included in the scope of consolidation according to the full consolidation method. Lhyfe consolidates 13 companies on 30 June 2022.

1.7.1 Group's consolidation scope

Company	Location	30/06/2022			31/12/2021			30/06/2021		
		% control	% interest	Consolidation method	% control	% interest	Consolidation method	% control	% interest	Consolidation method
Lhyfe SA	France	100%	100%	IG	100%	100%	IG	100%	100%	IG
Lhyfe Bouin SAS	France	100%	100%	IG	100%	100%	IG	100%	100%	IG
Lhyfe GmbH	Germany	100%	100%	IG	100%	100%	IG	100%	100%	IG
Lhyfe Sombrero SAS	France	100%	100%	IG	100%	100%	IG			
Territoires x Lhyfe SAS	France	100%	100%	IG	100%	100%	IG			
Lhyfe Denmark ApS	Denmark	100%	100%	IG	100%	100%	IG			
Lhyfe Lakrids ApS	Denmark	100%	100%	IG	100%	100%	IG			
Lhyfe Netherlands BV	Netherlands	100%	100%	IG	100%	100%	IG			
Lhyfe Sweden AB	Sweden	100%	100%	IG	100%	100%	IG			
Lhyfe Morbihan SAS	France	100%	100%	IG						
Lhyfe Bessières SAS	France	80%	80%	IG						
Lhyfe UK Ltd	United Kingdom	100%	100%	IG						
Lhyfe Hidrogeno SL	Spain	100%	100%	IG						

There were no significant acquisitions of control (individually or taken as a whole) during the periods presented.

1.7.2 Translation of foreign currencies

The exchange rates used in H1 2022 are as follows:

Code	Currency	As of 30/06/2022		As of 30/06/2021	
		Average rate	Closing rate	Average rate	Closing rate
DKK	Danish Krone	0.1344	0.1344	0.1345	0.1345
SEK	Swedish krona	0.0954	0.0932	0.0987	0.0989
GBP	British Pound	1.1710	1.1652	-	-

1.8 Accounting methods and valuation rules used

1.8.1 Intangible assets

In accordance with IAS 38 Intangible Assets, research costs are expensed in the year in which they are incurred.

Project development expenses are recognised as intangible assets only if the following six criteria are met cumulatively:

- a) Technical feasibility of completing the intangible asset so that it will be available for use or sale,
- b) The Group's intention to complete the intangible asset and to use or sell it, (c) the Group's ability to use or sell this intangible asset,
- c) How the intangible asset will generate probable future economic benefits. The enterprise should demonstrate, among other things, the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, its usefulness,
- d) The availability of technical, financial and other resources appropriate to complete the development and use or sell the intangible asset, and
- e) Its ability to measure reliably the expenses attributable to intangible assets during its development.

Project development expenses made internally by the Group are capitalised when all of the above criteria are met cumulatively.

The Group considers that these criteria are met when the indicators defined by the Group, particularly related to technical studies, indicate that the feasibility of a project is probable. The Group has thus defined that these criteria are met once the projects go into the Tender Ready phase, as described on pages 156-157 of the DEU.

The capitalised development costs include external costs (commitments made to external suppliers or service providers - invoices, invoices receivable, situation statements, etc.) and internal costs (valued on the basis of the working hours allocated to these projects).

The amortisation of intangible assets is calculated in such a way as to fully allocate the cost of intangible assets, on a straight-line basis over the estimated useful life, from the moment the asset is usable and is generally recognised under Depreciation charges on fixed assets.

1.8.2 Income tax

Income tax includes current tax and deferred tax. It is recognised in net income. There was no tax consolidation as of 30 June 2022.

As part of the half-yearly reporting, in accordance with IAS 34, the Group's tax expense was determined on the basis of an estimated average tax rate for 2022. This estimated average rate is obtained from the tax rates that will be applicable and the forecasts of pre-tax profit of the Group's tax entities.

1.8.3 Alternative performance Indicators

In addition to revenue, the two financial performance indicators defined by the Group are:

- EBITDA ("Earnings before interest, taxes, depreciation, and amortisation"), which is directly found in the income statement and corresponds to Operating income before amortisation and impairment; (See Note 2.1.3);
- net financial debt, which corresponds to borrowings and financial debts less Cash and cash equivalents. (See note 3.6).

These performance indicators do not replace and should not be seen as a substitute for IFRS indicators. They are used in addition to IFRS indicators. Although they are used by the Board of Directors as an important factor in determining the Group's objectives and measuring its performance, these indicators are neither required nor defined by IFRS.

As an internal measure of the Group's performance, these operational indicators have limits and the management of the Group's performance is not restricted to these indicators alone.

2 Notes to the income statement

2.1 Current operating activities

2.1.1 Segment reporting

The Group reports only one operating segment on the basis of reportings that it regularly reviews to make decisions on the allocation of resources to the segment and to assess its performance.

In H1 2022, three customers individually accounted for more than 10% of revenue. Revenue generated with these three last customers amounts to 88% of the Group's sales.

The Group's revenue is generated exclusively in France.

2.1.2 Revenue

The Group's consolidated revenue amounted to €277k in H1 2022, 100% achieved in France, versus zero revenue in H1 2021. This change is explained by the start of the Bouin site activity in the 2nd semester of 2021 and the supply of hydrogen to the first customers, including LIDL SNC and the Syndicat Départemental d'Énergie et d'Équipements de la Vendée.

2.1.3 EBITDA

Performance indicator

As the Group has identified only one operating segment for the periods presented, this indicator is monitored globally.

In thousands of euros	30/06/2022	30/06/2021
Income from ordinary activities	277	-
Purchases consumed	-107	-2
External costs	-2,837	-899
Personnel costs	-4,427	-1,035
Taxes and similar payments	-29	-14
Other current operating income and expenses	852	183
EBITDA	-6,271	-1,765

2.1.4 External costs

In thousands of euros	30/06/2022	30/06/2021
Studies	687	90
Travel and receptions	442	65
Rentals and rental charges	111	8
Advertising, marketing and communication	281	94
Remuneration of intermediaries and fees	848	354
Non-stock purchases of materials and supplies	57	37
Maintenance, repairs and insurance	56	30
Provision of services	133	190
Transport	66	-
Other external costs	156	31
External costs	2,837	899

The €1.9m increase in external expenses for the period is mainly due to:

- studies conducted as part of the SEM REV project,
- the increase in the workforce and the internationalisation of the company, which impacted fee items, travel expenses, and marketing and communication operations.

2.1.5 Personnel costs and workforce

In thousands of euros	30/06/2022	30/06/2021
Salaries and Wages	3,194	723
Social security contributions	1,193	282
Share-based payments	40	29
Personnel costs	4,427	1,035

In H1 2022, personnel expenses corresponding to the R&D costs of projects that do not meet the capitalisation criteria under IAS 38 amounted to €290k.

Personnel expenses allocated to active development projects amounted to €577k in H1 2022, including €337k for R&D projects and €240k for future SPVs, versus €236k overall in H1 2021.

By number of employees	30/06/2022	30/06/2021
Engineering	27	10
Business development	27	8
Transactions	7	1
Support	19	4
Full-time equivalents (FTEs)	81	24

2.1.6 Other current operating income and expenses

Other current operating income and expenses amounted to €852k in H1 2022 versus €183k in H1 2021. This item mainly includes grant income intended to offset research expenses, and income and expenses related to the resale of electricity not consumed by the Group under the contract signed with its aggregator.

2.1.7 Depreciation, amortisation and current operating provisions

In thousands of euros	30/06/2022	30/06/2021
Depreciation of property, plant and equipment	397	71
Amortisation of intangible assets	16	6
Allocations to provisions for risks and charges	20	-
Depreciation, amortisation and provisions for current operations	433	77

- **Depreciation of property, plant and equipment:** Depreciation of property, plant and equipment mainly corresponds to allocations to the right-of-use of offices and the industrial site in Bouin (see Note 3.1.2).
- **Amortisation of intangible assets:** Amortisation of intangible assets relates to software (see Note 3.1.1).

2.1.8 Other non-current operating income and expenses

Other non-current operating income and expenses consist exclusively of expenses incurred by the company in connection with its initial public offering, for the portion that cannot be deducted from the issue premium. These expenses amounted to €1,076k.

2.2 Financial income

In thousands of euros	30/06/2022	30/06/2021
Interest on bank loans	-26	-9
Interest on bonds	-6,080	-70
Interest on lease liabilities	-46	-16
Cost of financial debt	-6,152	-95
Interest income	17	2
Change in fair value of derivatives	-	27
Other financial expenses	-21	-12
Other financial income and expenses	-5	16
Net Financial income	-6,157	-79

The significant increase in the cost of financial debt in H1 of 2022 is mainly due to:

- The conversion discount on OCA LB1, OCA LB3, OCA LB4 and OCA LB5 convertible bonds at the time of the company's IPO for €4.4m, it being understood that this expense has no impact on the company's cash flow;
- Interest related to the various convertible bonds issued by the company, whether converted at the time of the initial public offering or the OCA LB2 and OCA LB2 bis convertible bonds, not converted as of 30 June 2022, for €1.6m.

Other financial income and expenses include interest income, changes in the fair value of convertible bond derivatives and the accretion expense of repayable advances.

2.3 Income tax

The Group has recognised deferred tax assets on tax loss carried forward in the amount of net deferred tax liabilities calculated on temporary differences, so that they offset each other.

2.4 Earnings per share

	30/06/2022	30/06/2021
Net income attributable to shareholders (in euros)	-13,936,765	-1,921,641
Weighted average number of shares outstanding	25,049,530	19,336,900
Weighted average number of shares outstanding adjusted for dilutive instruments	25,308,150	19,490,400
Basic earnings per share (in euro)	-0.56	-0.10

The calculation presented above takes into account, for all the periods presented, the division of the nominal value of the shares by 100 decided by the General Meeting of 3 March 2022.

The Group recognises a loss for each period, thus no dilutive effect is recognised in the calculation of earnings per share.

3 Notes on the balance sheet

3.1 Property, plant and equipment and intangible assets

3.1.1 Intangible assets

In H1 2022, developments with regard to intangible assets were as follows:

Gross values In thousands of euros	Development costs in progress	Development costs	Concessions, patents and licences	Other intangible assets	Total
Gross values as of 31/12/2021	1,308	303	22	60	1,692
Development costs	1,086	-	-	-	1,086
Acquisitions	-	-	-	-	-
Capitalisation	-	-	-	-	-
Disposals	-	-	-	-	-
Other movements	-	-	-	-	-
Gross values as of 30/06/2022	2,395	303	22	60	2,779

Depreciation and amortisation In thousands of euros	Ongoing development costs	Development costs	Concessions, patents and licences	Other intangible assets	Total
Depreciation, amortisation and impairment as of 31/12/2021	-	-	1	5	6
Depreciation and amortisation	-	-	-	13	13
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Depreciation, amortisation and impairment as of 30/06/2022	-	-	1	18	19

Net values In thousands of euros	Ongoing development costs	Development costs	Concessions, patents and licences	Other intangible assets	Total
Net values as of 31/12/2021	1,308	303	21	55	1,686
Development costs	1,086	-	-	-	1,086
Depreciation, amortisation and impairment	-	-	-	-13	-13

Net values as of 30/06/2022	2,395	303	21	42	2,760
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During the 1st half of 2022, the Group's research and development projects consisted of the projects presented as of 31 December 2021.

The capitalised development costs are related to the design of a 100% green on-shore industrial and modular hydrogen production solution (€742k as of 30 June 2022 and €537k as of 31 December 2021) and the design of proprietary software tools, including Qualify and HMS - Hydrogen Management System (€1,017k as of 30 June 2022 and €731k as of 31 December 2021).

The Group also capitalised €502k in development costs related to SPV projects. Capitalised costs include labour costs, as well as studies dedicated to various projects that have passed the Tender Ready stage. This item therefore includes a set of projects, the most significant of which concerns the site to be built in Morbihan.

Non-capitalised research and development costs amounted to €999k as of 30 June 2022 and €667k as of 31 December 2021.

Other changes mainly consist of borrowing costs.

For more information on the development of R&D projects and the capitalisation of costs related to SPVs, please refer to Note 1.3.

Impairment test

The analyses carried out by the management on the activated projects did not lead to the recognition of impairment losses as of 30 June 2022.

3.1.2 Property, plant and equipment

In H1 2022, developments with regard to property, plant and equipment were as follows:

Gross values In thousands of euros	Under construction	Technical installations, equipment and tools	Other property, plant and equipment	Total
Gross values as of 31/12/2021	1,100	3,592	335	5,028
Acquisitions	975	310	170	1,455
Capitalisation	-	-	-	-
Disposals	-	-	-2	-2
Other movements	-	-	-	-
Gross values as of 30/06/2022	2,075	3,902	504	6,481

Depreciation and amortisation In thousands of euros	Under construction	Technical installations, equipment and tools	Other property, plant and equipment	Total
Depreciation, amortisation and impairment as of 31/12/2021	-	23	57	80
Depreciation and amortisation	-	161	48	210
Reversals	-	-	-	-
Other movements	-	-	-2	-2
Depreciation, amortisation and impairment as of 30/06/2022	-	184	104	288

Net values In thousands of euros	Under construction	Technical installations, equipment and tools	Other property, plant and equipment	Total
Net values as of 31/12/2021	1,100	3,569	278	4,948
Acquisitions	975	310	170	1,455
Commissioning	-	-	-	-
Depreciation, amortisation and impairment	-	-161	-48	-210
Disposals/reversals	-	-	-2	-2
Other movements	-	-	2	2
Net values as of 30/06/2022	2,075	3,718	400	6,194

Fixed assets under construction as of 30 June 2022 are mainly related to LhyfeBox and SEM REV projects, work in progress at the new premises, as well as ongoing logistics-related orders.

Indication of impairment

No evidence of impairment has been identified on property, plant and equipment.

Leases - IFRS 16

The nature of the rights of use recorded as assets for the period presented is as follows:

In thousands of euros	Right of use - Lease	Buildings and production equipment	Offices and office equipment	Land
Net values as of 31/12/2021	2,832	2,299	471	61
Acquisitions	3,338	3,338	-	-
Depreciation and amortisation	-188	-76	-112	
Net values as of 30/06/2022	5,982	5,562	359	61

A new contract falls within the scope of IFRS 16 during the 1st half of 2022. This is the contract for renting the Pablo Picasso offices, in a building located in Nantes where the group's headquarters are now located. The lease took effect on 1 April 2022, for a term of 10 years, of which 6 years are firm and irrevocable. The Group took possession of the premises in July 2022.

3.2 Cash and cash equivalents

In thousands of euros	30/06/2022	31/12/2021
Cash	120,453	6,205
Cash equivalents	45,012	43,683
Investment securities	-	-
Cash and cash equivalents	165,464	49,888

3.3 Other current and non-current assets

In thousands of euros	30/06/2022	31/12/2021
Equity securities	-	-
Other financial assets	505	41

Public grants receivable	653	593
Other non-current assets	1,158	633
Public grants receivable	944	734
VAT receivables	1,810	1,383
Other tax and social security receivables	6	7
Accounts receivable	11	7
Prepaid expenses	374	178
Other current assets	7	38
Other current assets	3,151	2,345
Other financial assets	4,309	2,978

The increase in other financial assets is explained by the increase in deposits paid under new leases of €129k as well as the implementation of the liquidity contract with a cash balance of €334k as of 30 June 2022. As such, the Group holds 21,171 treasury shares at closing.

The change in other current assets is mainly due to the increase in VAT receivables, which is attributable to the increase in activity over the half-year.

3.4 Trade receivables and related accounts

In thousands of euros	30/06/2022	31/12/2021
Trade receivables	141	211
Invoices to be drawn up	308	13
Gross value - end of period	449	224
Impairment	-	-
Net value - end of period	449	224

Gross trade receivables amounted to €449k as of 30 June 2022.

At 30 June 2022, as of 31 December 2021, no credit risk was identified. As a result, the Group has not recognised any impairment.

3.5 Shareholders' equity

Movements affecting the Group's shareholders' equity are detailed in the statement of changes in shareholders' equity.

3.5.1 Share capital, reserves and premiums

The table below details the changes in the Group's capital over the past half-year. The share capital amounted to €479k as of 30 June 2022:

	Number of shares	Nominal value (€)	In thousands of euros		
			Share capital	Premiums	Total
As of 31/12/2021	193,369*	0.01	1.9	3,939	3,941
Capital increase - 3 March 2022	-	0.01	191.4	-191	-
Division of nominal value - 3 March 2022	19,143,531	0.01	-	-	-
Convertible bonds conversion - 24 May 2022	15,039,401	0.01	150.4	47,651	47,801
Capital increases related to the IPO	13,524,147		135.2	112,423	112,558
Capital increase - 24 May 2022	12,571,429	0.01	125.7	109,874	110,000
Capital increase - 17 June 2022	952,718	0.01	9.5	8,327	8,336
Charge of capital increase expenses				-5,778	-5,778
As of 30/06/2022	47,900,448	0.01	479.0	163,821	164,300

* Before division by 100 of the nominal value of the shares decided by the General Meeting of 3 March 2022

The Group's initial public offering led to a capital increase by Lhyfe of €118.3m, including €8.3m for the over-allotment option, plus the conversion of €47.8m in convertible bonds into shares on the day of settlement-delivery.

The bonds convertible into shares ("OC L") issued in 2019 and subscribed by Noria, Océan Participations, Ouest Croissance and Les Saules were instruments made up of debt and equity. As such, an equity component was recognised, net of issue costs, as of 16 October 2019 in the amount of €575k. This equity component was maintained in equity when convertible bonds were converted during the half-year period.

In addition, the capital increase resulting from the company's initial public offering resulted in a charge of €5,778k of fees from the issue premium.

The recognition of discounts on conversion of bonds, relating to OCA LB1, OCA LB3, OCA LB4 and OCA LB5 convertible bonds, as described in paragraph 3.6.1 of the consolidated accounts of the Registration Document, has an impact on the Group's consolidated reserves of €4,781k.

3.5.2 Founders' warrants (BSPCE) granted to employees and to a manager and share subscription warrants (BSA) granted to a consultant

Tracking of the number of founders' warrants and share subscription warrants in circulation

The table below summarises the number of founders' warrants and share subscription warrants outstanding and their transfer during the period presented:

In number	BSPCE Employees	BSPCE Premium	BSA Consultants	TOTAL
As of 31/12/2021	8,500	6,800	1,700	17,000
Granted during the period	-	-	-	-
Lapsed	-	-	-	-
As of 30/06/2022	8,500	6,800	1,700	17,000

*Giving entitlement to the allocation of number of shares, after division of the nominal value by 100:

850,000	680,000	170,000	1,700,000
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3.6 Borrowings and financial debts

The Group's net financial debt is as follows:

In thousands of euros	30/06/2022	31/12/2021
Bank loans	3,034	3,176
Bond issues	12,130	48,738
Lease liabilities	6,246	2,984
Reimbursable advances	657	644
Accrued interest	1,025	2,800
Financial debt (B)	23,092	58,341
Cash and cash equivalents (A)	165,464	49,888
Net financial debt (B - A)	-142,373	8,454

The following table presents changes in non-current and current financial liabilities:

In thousands of euros	31/12 2021	Issues	Repayme nts	Convers ion	Reclassi fications	Other var.	30/06 2022
Bank loans	2,891		-144				2,747
Bond issues	48,738	9,497		-47,021		915	12,130
Lease liabilities	2,831	3,111			-79		5,863
Reimbursable advances	644					13	657
Non-current financial liabilities	55,103	12,608	-144	-47,021	-79	728	21,396
Bank loans	285	2					287
Lease liabilities	154	227	-76		79		383
Accrued interest	2,800	450			-477	-1,749	1,025
Current financial liabilities	3,238	680	-76	-	-398	-1,749	1,695
Financial debt	58,341	13,288	-221	-47,021	-477	-821	23,091
Cash and cash equivalents	49,888						165,464
Net cash	-8,454						142,374

Changes in bond issues consist of the subscription of OCA LB5 convertible bonds by Mitsui, for €10m, from which €0.5m in fees were deducted, and the conversion of OCA LB1, OCA LB3, OCA LB4 and OCA LB5 convertible bonds at the time of the IPO for €47.8m.

Other changes relate to the recognition of the EIR on bonds over the 1st quarter and when converted.

A new lease liability is recognised under the new rental contract falling within the scope of IFRS 16 during the 1st half of 2022. This is the rental contract for the Pablo Picasso offices, as presented in Note 3.1.2.

Maturity of debts

The maturity of financial debt is summarised in the table below:

In thousands of euros	Current		Non-current		Total
	Less than one year	Between one and five years	More than five years		
Bank loans	287	2,299	448		3,034
Bond issues	-	5,770	6,360		12,130
Lease liabilities	383	2,016	3,847		6,246
Reimbursable advances	-	657	-		657
Accrued interest	1,025	-	-		1,025
Shareholder loans	-	-	-		-
Financial liabilities as of 30 June 2022	1,695	10,742	10,655		23,092
		21,397			

The repayment deadlines of the principal as defined by the contracts are presented in the table below :

In thousands of euros	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	TOTAL
Bank loans	287	552	577	582	588	498	3,084
Reimbursable advances	-	78	185	207	201	82	752
Bond issues	-	766	1,526	1,664	1,814	6,480	12,250
Lease liabilities	502	599	599	599	599	4,198	7,098
Accrued interest	-	-	-	-	-	-	-
As of 30/06/2022	789	1,995	2,887	3,053	3,202	11,258	23,184

3.6.1 Bonds convertible into shares

To finance its development, the Group issued several bonds convertible into shares.

As of 30 June 2022, financial debt in respect of convertible bonds amounted to €12,130k and corresponded solely to OCA LB2 and OCA LB2 Bis convertible bonds.

3.6.2 Bank borrowings and loans

During the 1st half of 2022, the Group did not take out any new bank loans.

3.6.3 Reimbursable advances

The Group received two aids in the form of advances in 2020. They have been recognised as financial liabilities because the Group believes it is reasonably necessary to repay them in full, in light of the repayment terms.

No new reimbursable advances were granted in H1 2022.

3.7 Derivative financial instruments

Financial derivative instruments were zero as of 30 June 2022 following the conversion of convertible bonds at the time of the company's IPO.

3.8 Trade payables and related accounts

As of 30 June 2022, trade payables amounted to €6,826k, of which €4,635k related to IPO fees and accrued interest on converted bonds, compared with €2,063k as of 31 December 2021.

3.9 Other current and non-current liabilities

In thousands of euros	30/06/2022	31/12/2021
Grants	7,524	6,544
Other debts	-	-
Other non-current liabilities	7,524	6,544
Social security liabilities	1,926	859
Tax liabilities	72	70
VAT liabilities	822	714
Other debts	0	5
Other current liabilities	2,820	1,647
Other financial liabilities	10,345	8,191

The following table summarises the statement of grants recognized in “Other non-current liabilities” and “Other current operating income” during the period presented:

In thousands of euros	Granted	Received	Other liabilities	Other assets
			Accrued income	Grants receivable
TOTAL 31 December 2021	12,812	4,425	6,544	1,326
Research Tax Credit	308	551	621	308
Grants	3,816	764	6,904	1,289
TOTAL 30 June 2022	16,936	5,740	7,524	1,597

The subsidies granted to the Group as of 31 December 2021 have not recorded major developments. However, the following facts should be noted:

- **Innovation project:** the subsidy was granted on 10 March 2020 and concerned the financing by BPI France Financement of the first feasibility studies of the offshore hydrogen production platform and a seawater desalination system allowing hydrogen production, as well as the design of a software for sizing an onshore production site worth of €200k. As the activities related to this project have been completed, this file is closed on 30 June 2022;
- **ADEME - VHyGo:** in December 2021, Lhyfe signed a new financing agreement with ADEME concerning hydrogen production equipment at the Lorient site, as part of the VHyGo project and the Ecosys H2 call for project. This financing for a total amount of €2,845k was the subject of a payment of €613k in January 2022;
- **SEM-REV:** in addition to initial aid received by the Pays de La Loire region for the SEM REV project in June 2021, ADEME granted the Group additional financing in April 2022 for a total amount of €971k, of which €728k in the form of a subsidy and €243k in the form of a repayable advance. As the aid was only formalised in a contract in July 2022, no sum was received as of 30 June 2022.

The Group has recognised in other liabilities the amounts of subsidies for which it considers that it meets the conditions for obtaining and calling.

3.10. Financial instruments recorded in the balance sheet

In accordance with the amendment to IFRS 7, the fair value hierarchy levels are as follows:

- Level 1: fair value based on quoted prices of the instrument on an active market;
- Level 2: fair value measured using observable market data (other than the quoted prices of the instrument included in Level 1);
- Level 3: fair value determined using valuation techniques based on unobservable market data.

The financial instruments recognised on the balance sheet are broken down as follows:

As of 30/06/2022			Fair value through profit or loss ⁽¹⁾	Debt at amortised cost ⁽²⁾	Fair value
In thousands of euros	Level	Net book value			
Net trade receivables	2	449	-	449	449
Other financial assets	2	4,299		4,299	4,299
Accounts receivable	2	11	-	11	11
Cash and cash equivalents	2	165,464	165,464	-	165,464
Total financial assets		170,224	165,464	4,759	170,224
Long-term borrowings and financial debts	2	21,397	-	21,397	21,397
Long-term derivative financial instruments	2	-	-	-	-
Short-term borrowings and financial debts	2	1,695	-	1,695	1,695
Trade payables and other liabilities	2	6,826	-	6,826	6,826
Other financial liabilities	2	10,345	-	10,345	10,345
Other payables	2	-		-	-
Total financial liabilities		40,263	-	30,263	40,263

(1) - Fair value through profit or loss: the fair value of financial assets held for sale corresponds to the market value of the assets

(2) - Debt at amortised cost:

- The net book value of current financial assets and liabilities is deemed to be an approximation of their fair value;
- The fair value of borrowings and financial liabilities was estimated using the discounted future cash flow method at a market rate.

3.11. Provisions

Non-current provisions correspond to a provision for periodic control of hydrogen transport equipment put into service. It amounted to €27k compared with €8k as of 31 December 2021.

4 Other information

4.1 Related party transactions

There were no significant changes in transactions with related parties during the 1st half of 2022.

4.2 Off-balance sheet commitments

The commitments mentioned in this note include all off-balance sheet commitments identified by the Group as material and made to third parties. They are as follows:

- Personal security interests (guarantees);
- Real security interests (mortgages, pledges).

4.2.1 First-demand guarantees granted

The Group granted a stand-alone first demand guarantee to the lessor of the premises located at Mail Pablo Picasso, Zac Pré Gauchet in Nantes on 23 March 2022 for €388k.

4.2.2 Pledges

The pledges were granted by the Group to the lenders.

- The €1,000k loan granted by Crédit Agricole Atlantique Vendée on 28 April 2021 is secured by a pledge of Lhyfe's business. The outstanding principal amount as of 30 June 2022 was €903k;
- The €1,000k loan granted by Crédit Mutuel Océan on 22 December 2021 is secured by a pledge on the electrolyser and a compressor. The outstanding principal amount as of 30 June 2022 was €931k;

Statutory Auditors' report on the interim financial information

Period from 1 January to 30 June 2022

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by Annual General Meetings and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code ("*code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of LHYFE, for the period from 1 January to 30 June 2022;
- the verification of the information presented in the half-yearly management report.

As these are the first condensed consolidated financial statements for the period ended June 30, 2022, the comparative information presented for the period from 1 January 2021 to 30 June 2021 has not been audited or reviewed.

These condensed half-yearly consolidated financial statements are the responsibility of Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Nantes, 20 September 2022

The statutory auditors
French original signed by

Baker Tilly Strego
Vincent PIERRE

Deloitte & Associés
Guillaume RADIGUE

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