TECO 2030

Quarterly Report Q3 2023

SUSTAINABLE DEVELOPMENT GOALS

November 29th 2023

CEO LETTER

Dear Fuel Cell Friends,

Reflecting on the achievements of the third quarter of 2023, it's clear that TECO 2030 strongly influences the way of driving the maritime and heavy-duty industries toward the adoption of renewable energy sources.

During the last few months, we have been able to show you the progress of our first fuel cell module, this fills me with immense pleasure and excitement. This milestone is made possible by the solid dedication of our team and showcases our continuous commitment towards innovation and sustainability. Currently, this groundbreaking system is undergoing tests with hydrogen at AVL's facility in Graz proving performance data that is never seen before. The fuel cell system is creating renewable electricity from green hydrogen.

There is without doubt an increasing interest in fuel cell technology, as it aligns with the global strategy of environmental responsibility, punctuated by rising carbon taxes and stringent emission mandates, including those updated from the International Maritime Organization (IMO). Our finger is on the pulse of the hydrogen and renewable energy sector, which continues to gain exceptional traction worldwide.

Our efforts have been recognized and supported by our successful bid for a second Horizon Europe project, a distinction that not only acknowledges our innovative capabilities but also enhances our research and development trajectory significantly. Securing success in both of our EU project proposals is a remarkable accomplishment.

The introduction of Pherousa’ s ammonia-powered vessels has been a turning point moment, marking our entry into the deep-sea market with our fuel cells which generated considerable interest from shipowners all around the world. This serves as a compelling approval of the transformative potential of our fuel cell technology in the global shipping industry.

Furthermore, we are continuously working to improve our financial position in order to fully deploy the needed capital for our strategic growth plans and align these with the current market demand outlook. As a part of our strategy, our largest shareholder TECO Group has lent us 20 million shares to support our ongoing capital needs. In practice this means that we can offer a seamless transaction of shares to interested investors both institutional and retail in an efficient manner, a funding framework which is beneficial for our ambitious growth strategies.

The support from TECO Group is very helpful in many ways, the Yokogawa investment is an example of how investors can acquire treasury shares directly from us to complete investment transactions through an efficient process. The recent release with Yokogawa, is not only evidenced by their extensive due diligence— but a true testament to the strength and viability of our business and technology. Together with Yokogawa we are able to form a strong strategic alliance that promises to amplify our position in the heavy-duty and marine fuel cell and hydrogen markets.

When contrasting the environmental impacts of traditional diesel engines with our fuel cell offerings, the benefit of our technology becomes completely apparent. This contrast is at the heart of a powerful description that supports sustainability, a narrative that is increasingly resonating with a global audience that demands cleaner energy solutions.

As we navigate ahead, I extend profound thanks to our dedicated team, our strategic partners, and our investors for their persistent commitment. Their confidence in our mission propels our continued mission for innovative excellence. Together, we are not just participants in a greener future; we are the architects.

Lysaker, Norway, November 29th, 2023,

Tore Enger
Group CEO, TECO 2030

WHY HYDROGEN FUEL CELL TECHNOLOGY

- Today, the only feasible option for Zero Emission Heavy Duty applications
- Most efficient way to store energy as synthetic fuel and produce electric energy again
- Very strict local regulations regarding air and water pollution will be introduced (e.g. bans of combustion engines)
- Global considerations for heavy CO_2 taxations and limitations

Significant reduction of CO_2 emissions are required to achieve the 2°C Paris climate target.

PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21-CMP11

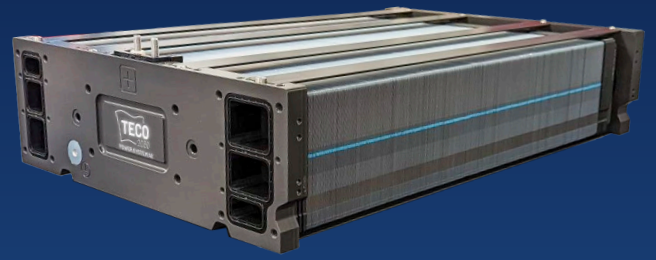
DIESEL GENERATOR

TECO 2030

FUEL CELL POWER GENERATOR

DIESEL GENERATOR		FUEL CELL POWER GENERATOR
CO_2, NO_x, SO_x, PM	**POLLUTION**	True Zero Emission
Cold start issues	**RELIABILITY**	Always available
High noise, vibration and fuel toxicity	**ENVIRONMENTAL IMPACT**	Low noise and no vibration
Costly maintenance and diesel fuel has a limited shelf life	**COST**	Low maintenance and twice as efficient as diesel generators

OUR PRODUCTS



OUR 100KW FUEL CELL STACK

FCS100

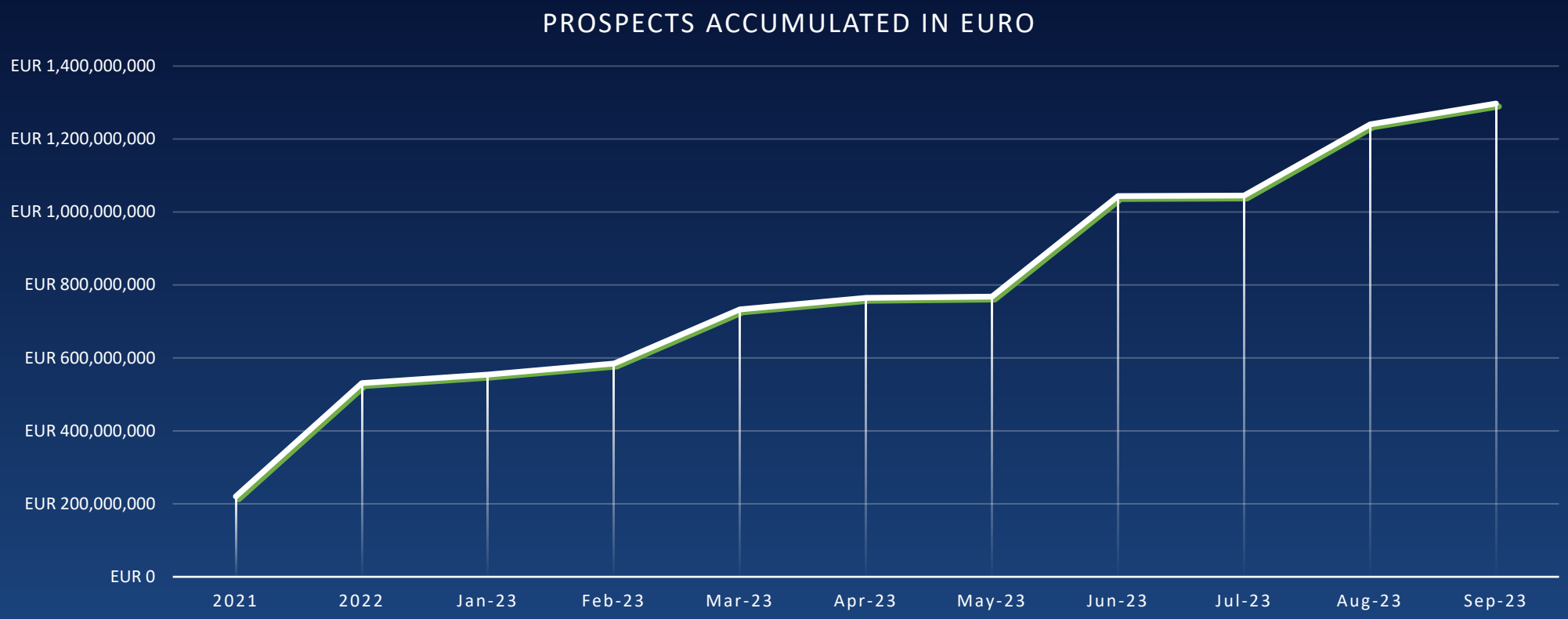
- Unique carbon bi-polar plate cell and stack design
- Specially made for heavy duty applications
- High power density
- Dynamic operation capable
- Designed for series-production
- Shorter stacks with lower power-output available

Approval In Principle
DNV

OUR 400KW FUEL CELL MODULE

FCM400

- World's most power dense fuel cell module for marine and heavy-duty applications
- Class leading lifetime target
- Designed for various application segments
- State of the art safety concept and control concept
- Designed for series-production



OUTSTANDING QUOTES INCREASING

TECO 2030 is building a substantial pipeline of outstanding quotes:

- Outstanding quotes reaches approx. 1.3 billion euros.
- The interest for zero emission solutions is increasing as global emission regulations are getting stricter and carbon taxes are increasing.
- The interest is coming from various industries across the globe.

Disclaimer: Data is collected from internal systems and may change without further notice.

FUEL CELL DEVELOPMENT HIGHLIGHTS

01

In Q3 2023, our development team focused on assembling the first FCM400 system, completing it in September through rigorous yellow board and hardware-in-the-loop testing.
Considerable efforts improved part quality from sub-suppliers, bolstering relationships and processes.

02

Strategic planning refined the testing approach, aiming for an optimized product launch. TECO 2030 applied insights from the initial build to enhance future production. Resources for these activities were substantially expanded, and software updates were delivered consistently for system operation and diagnostics.

First documents handed in to DNV for Type Approval, a great milestone achieved by the development team!

The first package of documentations was handed over to DNV on July 4th 2023, for the Type Approval process. Initial feedback from DNV has been positive, and the type approval is expected towards the middle of 2024.

INNOVATION CENTER UPDATE

TECO 2030's dedicated team in Narvik has through the third quarter engaged with production of fuel cell stacks, simultaneously laying the groundwork for local assembly of the FCM400 series which will start during the first half of 2024.

There is continuous work in preparation both towards large-scale industrialization and assembly of the fuel cell system. Much of the team is working closely with the engineers at Lysaker and Graz to secure familiarity, competence and know-how of how to manufacture modules and build local knowledge in Narvik for further and enhanced production.

The team has also laid down the foundation with thyssenkrupp for development and design planning of the production equipment to be ready for the next phase.

Alongside these endeavors, there is a proactive drive to make the factory building prepared to ensure a seamless integration with the arrival of the anticipated thyssenkrupp Automation Engineering equipment.

OPERATIONAL HIGHLIGHTS

JULY

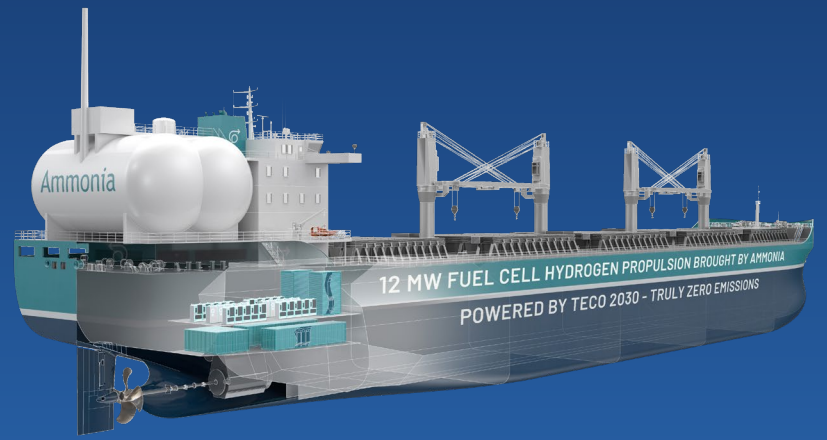
In July, TECO 2030 announced that the company for the second time within approx. one year, has achieved to be invited for HORIZON EUROPE funding. This time, the company, together with partners, will receive EUR 13.5 million, the grant amount reserved for TECO 2030 is EUR 2.3 million. The project is a Horizon Innovation Action that aims to develop, build and demonstrate a 35-meter, 300 passenger capacity vessel that will be powered by the FCM400 fuel cell system by TECO 2030.

AUGUST

In August TECO 2030 signed a MoU with an undisclosed European engine company. TECO 2030 will support the undisclosed European Engine Company with FCM400 modules for their development of an integrated skid/containerized fuel cell system for their market segments.

SEPTEMBER

In September TECO 2030 and Pherousa Green Shipping signed a supply agreement to realize ammonia powered zero-emission deep-sea shipping. A 12 MW fuel cell system will be utilized for full propulsion onboard each of the six vessels, enabling 100% emission-free operations. Each vessel will be about 63,000-deadweight tons and the first vessel is targeted for delivery Q1 2027.



OPERATIONAL HIGHLIGHTS AFTER Q3 2023

OCTOBER

In October, TECO 2030 signs loan agreement with its largest shareholder, TECO Group AS. Under the agreement, TECO Group lends TECO 2030 20 million shares in TECO 2030. TECO 2030 may, when appropriate, sell the shares to new investors as a flexible way of securing financing for its business plan. TECO 2030 will settle the share loan through the return of any unsold shares and a private placement of new shares against TECO Group no later than June 30th, 2024. TECO 2030 may repay the loan in whole or in part at any time prior to this date. TECO Group will not receive any fee or interest on the loan and will subscribe for new shares at the nominal value.

NOVEMBER

In November, TECO 2030 and Yokogawa Electric sign Partnership and Investment Agreement for the Utilization of Hydrogen Fuel Cells in Industrial Applications. Under this agreement, Yokogawa Electric has invested in TECO 2030 by way of acquiring treasury shares, and the two companies will collaborate on optimizing hydrogen fuel cell technology and exploring business opportunities for distributed power sources in the maritime transportation and other industrial sectors.

NOVEMBER

In November, TECO 2030 successfully injected its 400kW fuel cell system with hydrogen and created emission free hydrogen-electric power. A big milestone for the TECO 2030 development team who has been working on the achievement for the past three years. The innovative fuel cell system is an advanced clean energy generation system. The attributes of the modular 400kW fuel cell system include industry leading energy efficiency, inherent safety concept, leading weight/size dimensions and component design, lifetime, and rapid dynamic load response.

KEY FINANCIALS Q3 2023

TECO 2030 recognized revenues of NOK 0.8 million in Q3 2023. The income is from some sub-lease of premises and some from depreciation of previously received grants. The group has not recognized any sales during the quarter. EBITDA ended at NOK -19.9 million compared to NOK -17.1 million in Q3 2022. Personnel expenses have increased from Q3 2022 due to the increase in number of employees. This increase is both in Narvik and in the HQ in Lysaker and is primarily related to engineers and production planning staff.

Towards the end of Q3, TECO 2030 started to reach the end of the technical development phase, meaning that most of the remaining development is related to testing and verification of the first built units. CAPEX related to development increased significantly in Q3 2023 compared to the same quarter in 2022. These include, in addition to external and internal development expenses, also a number of components for the first units which are part of the overall development program with AVL.

TECO 2030's assets have increased significantly from NOK 285.4 million to NOK 465.9 million. The increase is related to both capitalized development expenses as well as an increase in inventories related to purchase of fuel cell components.

The company secured a loan of 20 million TECO 2030-shares from its largest shareholder in October. These shares can be sold to investors in smaller or larger portions going forwards. The company secured, amongst others, an investment from the Japanese company Yokogawa Electric by using this instrument on November 1 and has, as per end of November, raised approx. NOK 12 million via this instrument. The company is waiting for remaining grants from both Innovation Norway and EU Horizon related to ongoing projects. These are expected to come during Q4 or Q1/24.

NOK'000	Q3 2023	Q3 2022
Revenues	824	4,528
EBITDA	-19,861	-17,051
CAPEX and R&D	33,853	12,780
Total assets	465,862	285,409
Total equity	30,255	55,464

FINANCE
INCOME STATEMENT

Amounts in NOK'000	Q3 2023 (Unaudited)	Q3 2022 (Unaudited)	2023 YTD (Unaudited)	2022 YTD (Unaudited)
Total revenue	824	4,528	8,890	9,896
Cost of goods sold	94	-2,688	-6,242	-6,328
Personnel expenses	-14,602	-10,310	-30,827	-25,052
Other operating expenses	-6,177	-8,582	-29,394	-24,436
EBITDA	**-19,861**	**-17,051**	**-57,573**	**-45,920**
Depreciation and amortization	-3,374	-2,923	-9,613	-8,693
EBIT	**-23,235**	**-19,974**	**-67,186**	**-54,613**
Net financial income (expense)	1,026	-3,772	-11,472	-5,454
Profit (loss) before tax	**-22,209**	**-23,746**	**-78,659**	**-60,067**

FINANCE
BALANCE SHEET

Amounts in NOK'000	30.09.23 (Unaudited)	31.12.22 (Unaudited)
ASSETS		
Non-current assets		
Intangible assets	270,984	151,824
Right-of-use assets	96,119	95,568
Finance lease receivables	11,460	13,880
Other non-current assets	6,275	5,521
Total non-current assets	**384,838**	**266,793**
Current assets		
Trade and other receivables	44,647	35,489
Inventories	35,988	6,974
Cash and cash equivalents	389	47,151
Total current assets	**81,024**	**89,615**
TOTAL ASSETS	**465,862**	**356,408**

Amounts in NOK'000	30.09.23 (Unaudited)	31.12.22 (Unaudited)
EQUITY AND LIABILITIES		
Equity		
Share capital	1,626	1,585
Other equity	28,629	100,501
Total equity	**30,255**	**102,086**
Non-current liabilities		
Non-current lease liabilities	111,385	113,015
Other non-current liabilities	132,680	93,623
Total non-current liabilities	**244,065**	**206,638**
Current liabilities		
Current lease liabilities	8,665	6,474
Trade and other payables	146,512	25,281
Other current liabilities	36,365	15,929
Total current liabilities	**191,542**	**47,684**
Total liabilities	**435,607**	**254,322**
TOTAL EQUITY AND LIABILITIES	**465,862**	**356,408**

FINANCE
CASH FLOW

Amounts in NOK'000	2023 YTD (Unaudited)	2022 YTD (Unaudited)
Cash flows from operating activities		
Loss before tax	**-78,659**	**-60,067**
Adjustments to reconcile profit before tax to net cash flows:		
Net financial income/expense	10,776	-5,454
Share based payments	226	1,152
Depreciation, amortization and impairment	9,613	8,693
Changes in working capital:		
Changes in trade receivables and trade payables	29,570	-22,620
Change in inventories	-5,497	126
Other adjustments	-	3,036
Net cash flows from operating activities	**-33,970**	**-75,134**

Amounts in NOK'000	2023 YTD (Unaudited)	2022 YTD (Unaudited)
Cash flow from investing activities		
Purchase of property, plant and equipment	-1,520	-289
Development expenditures	-63,658	-63,598
Placement in deposit	362	-
Net cash flows from investing activities	**-64,816**	**-63,887**
Cash flow from financing activities		
Cash proceeds from issuance of equity	11,175	76,818
Proceeds from sale of treasury shares	2,801	-
Loans from related parties	2,500	-
Other non-current liabilities	-	23,046
Proceeds from public funding	43,281	-
Cash payments for the principal portion and interest of the lease liability	-9,183	-10,073
Cash received for the principal portion of the sublease receivables	1,449	2,053
Net cash flows from financing activities	**52,023**	**91,845**
Net increase/(decrease) in cash and cash equivalents	-46,763	-47,177
Cash and cash equivalents at beginning of the period	47,151	59,619
Cash and cash equivalents, end of period	**389**	**12,442**

The statement of cash flows are prepared using the indirect method.


TECO
2030
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for your
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