



Press Release

## McPhy: a positive start to 2019 despite an operating income fall in 2018 as expected

- A 21% drop in revenue in 2018 compared to 2017, due notably (and as previously announced<sup>1</sup>) to delays in the finalization of several orders
- As expected operating income for 2018 is 47% lower than in 2017, at -€9.4 million, due mainly to the fall in revenue over the year and trends in operating expense relating to business activity
- Cash of €14.9 million, following capital-boosting transactions in 2018
- Strategic partnership signed in June 2018 with EDF, thus becoming the company's leading shareholder
- More than 5 million euros of orders received over the first two months of the year and confirmation of a return to revenue growth in 2019 in an ever-more buoyant market

**La Motte-Fanjas, March 12, 2019 at 5:45pm – McPhy (Euronext Paris Compartment C: MCPHY, FR0011742329)**, a specialist in hydrogen production and distribution equipment, is today announcing its results for 2018, which were approved by the company's Board of Directors.



We are determined to maintain this focus with clearly identified priorities: product development, strengthening our marketing in key areas, winning new markets and signing partnerships.”

Pascal Mauberger, McPhy's Chairman and Chief Executive Officer, commented: *“As announced, our results for 2018 were affected by delays in the finalization of several orders and by the extension of the duration of certain existing projects for our clients.*

*Our teams remain mobilized to continue building McPhy's technological leadership by launching new products such as the 'Augmented McLyzer' generation of electrolyzers, which will enable us to offer innovative solutions on a scale that matches our clients' needs. We have also signed an agreement for our first hydrogen bus fueling station in France, creating a flagship reference in mass mobility. In addition, the industrial and commercial partnership agreement with EDF signed in 2018 is now fully operational and is manifesting itself in joint tender bids.*

*The early months of 2019 have shown that our strategy is bearing fruit, with more than €5 million in orders received. This is why we are determined to maintain this focus on growth with clearly identified priorities: product development, strengthening our marketing in key areas, winning new markets and signing partnerships. We are convinced that this strategy will allow McPhy to continue to grow and maintain its leadership in the fast-expanding market for low-carbon hydrogen.”*

<sup>1</sup> Press releases of 24 October 2018 and 22 January 2019

## Simplified income statement

(€ millions)	2018	2017	Change
Revenues	8.0	10.1	(21)%
Other income	1.1	1.2	(4)%
<b>Income from ordinary activities</b>	<b>9.1</b>	<b>11.3</b>	<b>(19)%</b>
Cost of purchases consumed	(4.6)	(5.7)	(20)%
Staff costs	(6.1)	(6.0)	2%
External costs	(5.7)	(5.2)	10%
Amortization, depreciation and provisions	(2.1)	(0.8)	172%
<b>Current operating income</b>	<b>(9.4)</b>	<b>(6.4)</b>	<b>47%</b>
Other operating income and expense	(0.0)	(0.1)	-
<b>Operating income</b>	<b>(9.4)</b>	<b>(6.5)</b>	<b>46%</b>
Financial income/expense	(0.0)	(0.1)	-
Tax	(0.1)	(0.1)	-
<b>Net income</b>	<b>(9.5)</b>	<b>(6.7)</b>	<b>43%</b>

## Change in operating expense in line with business activity

The increase in external costs and provisions was due to delays in the finalization of several orders, the extension of the duration of certain projects and additional costs incurred in the installation phases of these initial reference projects for McPhy. This resulted in an expected 47% drop in operating income in 2018 compared to 2017, to -€9.4 million.

The lessons learned on these first contracts have been factored in for contracts due to be delivered from 2019 on, and provisions have been made for additional costs to neutralize their impact on 2019 figures. Furthermore, despite the revenue decline, McPhy continued to strengthen its research and innovation efforts.

At December 31, 2018, McPhy had cash assets of €14.9 million, boosted by transactions to strengthen capital carried out in 2018.

## 2018 Highlights

### • Market remains strong

- **June 2018:** the State Minister for Ecological and Inclusive Transition, launches a strategic plan to support the deployment of hydrogen technologies and establish France as a leader in this area. In 2019, €100 million will be devoted to the deployment of low-carbon hydrogen in industry, mobility and energy. McPhy welcomes this extremely positive signal for the deployment and use of clean hydrogen, which will largely be produced by the electrolysis of water;
- **December 2018:** publication of the final text of the Renewable Energy Directive (RED II) in the Official Journal of the European Union. This Directive sets shared EU-wide targets for use of renewable energy. It also undertakes to increase renewable energy use to 32% of total energy consumption by 2030. The Directive thus opens up new prospects in markets for clean hydrogen in heavy industry.



- **McPhy maintains its strategy focused on three priorities: product development, strengthening its position in key regions and winning new markets, and the signature of strategic partnerships**

- **Product development: realizing market opportunities**

- **April 2018:** launch of a new generation of electrolyzers, the “Augmented McLyzer”, for platforms from 20MW to over 100MW, created under the technological partnership between McPhy and De Nora. These electrolyzers will support scaling-up for clients, allowing the mass production of hydrogen at competitive cost. This equipment incorporates the latest technological innovations in electrolysis. The combination of De Nora’s advanced electrodes and McPhy’s high-pressure (30 bar) electrolysis doubles the output of electrolysis cells, and maintains a high energy yield;
- **July 2018:** strengthening of McPhy’s mobility offering with a range of dedicated filling stations for 700-bar vehicles. Trials conducted jointly with Toyota, a leader in low-carbon mobility, proved positive and allowed the design of the first series of stations to be finalized at the end of 2018. McPhy has thus positioned itself in the dynamic market for 700-bar stations, with the McFilling 200-700, and this position was boosted by an initial order for a 200kg/day 700-bar station to be installed at the end of 2019 near Berlin, Germany.

- **Confirmation of strong sales trends in key hydrogen markets**

- **Clean mobility: flagship references in mass mobility**

- **April 2018:** McPhy receives an order for a second hydrogen station with electrolyzer from CNR and ENGIE GNVert in Lyon;
- **May 2018:** the Group wins its first contract for a hydrogen bus filling station from SMT-AG serving the Lens-Béthune conurbation. This 200kg/day 350-bar station, combined with a 500kW electrolyzer, can supply 10 buses. It is expected to come into use in the first half of 2019;
- **June 2018:** ENGIE launches the biggest fleet of hydrogen-powered utility vehicles and its first alternative multi-fuel station in France. Located at the heart of Rungis International Market, the hydrogen station, designed and manufactured by McPhy, will supply this fleet of 50 vehicles.

- **Industry: an offering that matches the significant increase in hydrogen demand**

- **June 2018:** ENGIE Cofely launches its industrial scale renewable hydrogen production unit at Pôle Utilités Services in Grenoble. McPhy supplied the unit’s clean hydrogen production and storage equipment.
- **June 2018:** ENGIE opens the GRHYD platform in Dunkirk. This project forms a strategic part of the Hydrogen Plan launched by the government on June 1, 2018, which will provide technical and economic data on hydrogen injection; McPhy is taking part via the project’s use of its hydrogen storage module.

- **Signature of strategic partnerships to drive the expansion of McPhy**

- **March 2018:** the Group joins the Hydrogen Council. This unique global initiative aims to demonstrate the potential of hydrogen as a key solution in energy transition. Members of the Hydrogen Council have indicated their desire to step up investment in the development and marketing of hydrogen and fuel



cells. Their combined investment is currently estimated at €1.4 billion per year<sup>2</sup>. McPhy is working with global groups on the ‘scaling up’ of the hydrogen economy.

- **June 2018:** McPhy signs an industrial and commercial partnership with EDF, a world leader in low-carbon energy, to develop low-carbon hydrogen in France and internationally. This partnership along with additional financial resources will help McPhy step up the pace of growth, strengthen the development of its sales team and conquer new markets. The partnership is now fully operational and has manifested itself in shared tender bids for bus filling stations of several hundred kg/day including electrolyzers, and platforms to supply hydrogen trains and river barges of more than 1 tonne/day.

## Confirmation of a return to growth in 2019

As announced on March 5, 2019,<sup>3</sup> McPhy has seen a positive start to 2019, with more than €5 million in orders received covering 4 projects:

- The Group has received an order for a next-generation 40kg/day 30-bar electrolyzer, which will be delivered this year. It is intended for a filling station to be built in Chambéry by ATAWAY<sup>4</sup> as part of the Zero Emission Valley<sup>5</sup> project in the Auvergne-Rhône-Alpes region. Under the project, 20 stations are due to be installed across the region, including 15 with electrolyzers<sup>6</sup>. It aims to make Auvergne-Rhône-Alpes Europe’s pioneering region in hydrogen deployment;
- McPhy has also just logged an order for six stations from SIEGE 27 and SDEC Energie<sup>7</sup> for the roll-out of hydrogen mobility solutions in the Eure and Calvados departments as part of the EAS-HyMob Normandy project<sup>8</sup>. These stations are the first in the plan, which will ultimately feature 15 hydrogen refueling units and are due to be commissioned as captive hydrogen vehicle fleets are introduced;

These new projects increase to 21 the number of McFilling stations installed or currently being installed, together representing a daily potential of 64,500km in zero emission mobility;

- In the energy market, McPhy has announced receipt of the first payment for a Power to Power application in Germany in respect of a McLyzer 400-30 installation. This is the first McLyzer 400-30 featuring McPhy’s high-density current electrodes co-developed with De Nora, its industrial partner. This 2MW project lifts to 16MW the high-power electrolysis capacity built by McPhy;
- Lastly, McPhy recently received an order from the Bangladesh Meteorological Department for 11 electrolyzers from the PIEL line, which are due to be delivered during 2019. These electrolyzers will be used to inflate balloons for weather probes. This is the largest order ever placed for McPhy’s PIEL line of products.

These commercial successes demonstrate that the delayed orders initially anticipated in 2018 have now materialized, and that the Group’s top-line business momentum is right on track.

Lastly, conditions in the hydrogen sector remain very strong and offer many new prospects. In France, the Programmation Pluriannuelle de l’Energie project<sup>9</sup> has reaffirmed the key role to be played by hydrogen in meeting the huge challenges of energy transition: 24 applications have been submitted to Ademe<sup>10</sup> under its first call for “Hydrogen ecosystems and mobility” projects. This call for projects was followed by a second one which opened

<sup>2</sup> *How Hydrogen empowers the energy transition*, Report, 2017, Hydrogen Council

<sup>3</sup> [Press release announcing a positive start to the year for McPhy](#)

<sup>4</sup> <http://www.ataway.com>

<sup>5</sup> [https://www.auvergnerhonealpes.fr/uploads/Presse/91/203\\_486\\_CP-12-20-Zero-Emission-Valley-reconnu-au-niveau-europeen.pdf](https://www.auvergnerhonealpes.fr/uploads/Presse/91/203_486_CP-12-20-Zero-Emission-Valley-reconnu-au-niveau-europeen.pdf)

<sup>6</sup> [https://www.auvergnerhonealpes.fr/uploads/Presse/91/203\\_486\\_CP-12-20-Zero-Emission-Valley-reconnu-au-niveau-europeen.pdf](https://www.auvergnerhonealpes.fr/uploads/Presse/91/203_486_CP-12-20-Zero-Emission-Valley-reconnu-au-niveau-europeen.pdf)

<sup>7</sup> This project is supported by European Union funding via the European Innovation and Networks Executive Agency (INEA) as part of the Connecting Europe Facility - Transports (CEF-T) infrastructure program.

<sup>8</sup> <https://eadymob.normandie.fr>

<sup>9</sup> <https://www.environnement-magazine.fr/energie/article/2019/02/18/123000/tribune-ppe-confirme-transition-energetique-fera-avec-hydrogene>

<sup>10</sup> French environment and energy agency



up new prospects for clean hydrogen use in heavy industry released on February 25, 2019.

Lastly, the recent approval of the EU RED II Directive, setting shared targets for the European Union for consumption of renewable energy, has opened up new prospects for the market for clean hydrogen for use in heavy industry.

Against this background, McPhy has confirmed growth in its business backed by a qualified sales pipeline<sup>11</sup> of €80 million.

### **Next press release:**

2019 first half results – Thursday July 30, 2019 after market close

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<sup>11</sup>Projects for which McPhy believes there is a greater than 50% chance of successful completion



**Balance sheet<sup>12</sup>**

<b>Assets (€ millions)</b>	<b>2018</b>	<b>2017</b>
Goodwill	2.5	2.5
Other fixed assets	2.6	3.2
Other non-current assets	0.4	0.3
<b>Non-current assets</b>	<b>5.5</b>	<b>6.0</b>
Inventories	2.2	2.5
Trade and other receivables	6.6	6.5
Current income tax assets	0.7	0.5
Financial assets	-	0.6
Cash and cash equivalents	14.9	4.4
<b>Current assets</b>	<b>24.4</b>	<b>14.5</b>
<b>Total Assets</b>	<b>29.9</b>	<b>20.5</b>
<b>Liabilities (€ millions)</b>	<b>2018</b>	<b>2017</b>
Share capital	1.8	1.3
Issue Premium	31.2	22.3
Treasury shares	(0.1)	(0.1)
Retained earnings not distributed	(17.2)	(17.2)
<b>Shareholders' equity</b>	<b>15.7</b>	<b>6.4</b>
Provisions – share due in more than one year	0.6	0.4
Loans and financial debts – share due in more than one year	5.2	4.4
Other non-current liabilities	0.5	0.4
<b>Non-current liabilities</b>	<b>6.2</b>	<b>5.2</b>
Provisions – share due in less than one year	0.8	0.2
Loans and financial debts – share due in less than one year	0.8	2.5
Trade and other payables	4.2	4.3
Other current liabilities	2.3	1.8
<b>Current Liabilities</b>	<b>8.0</b>	<b>8.9</b>
<b>Total shareholders' equity and liabilities</b>	<b>29.9</b>	<b>20.5</b>

<sup>12</sup> Accounts currently under audit by the Board of Directors



## About McPhy

In the framework of the energy transition, and as a leading supplier of hydrogen production, storage and distribution equipment, McPhy contributes to the deployment of clean hydrogen throughout the world.

Thanks to its wide range of products and services dedicated to the hydrogen energy, zero emission mobility and industrial hydrogen markets, McPhy provides turnkey solutions to its clients. These solutions are tailored to our client applications: renewable energy surplus storage and valorization, fuel cell car refueling, raw material for industrial sites.

As a designer, manufacturer and integrator of hydrogen equipment since 2008, McPhy has three development, engineering and production units based in Europe (France, Italy, Germany).

The company's international subsidiaries ensure a global sales coverage of McPhy's innovative hydrogen solutions.

McPhy is listed on NYSE Euronext Paris (Segment C, ISIN code: FR0011742329; ticker: MCPHY).

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