



Metacon Insights 3

Gigafactory – a "Game-changer" for Metacon



In this year's first issue of Metacon Insights, I want to share my thoughts on the latest news from the business, which is about a completely unique and for us important agreement with PERIC Hydrogen Technologies, our strategic partner in China. This is a historic event for both PERIC and Metacon and something that now gives us the opportunity to manufacture our own large-scale electrolysis-based hydrogen generators (HGS) in Europe under the Metacon brand, using PERIC's 60 years of world-leading research and development of pressurized alkaline stacks as a springboard. But this Insights is also partly about the Memorandum of Understanding (MoU) that we signed with PERIC in November, and which can give us access to the expansive Chinese hydrogen market for our reforming products (HHG).

First of all, I would like to take this opportunity to thank all the employees who have worked hard since the summer to ensure that we now have this completely unique and largely business-changing agreement in place. The work has involved many people in the organization and has included trips to China to ensure both the agreement and its future implementation. It was therefore with great satisfaction and joy that I received the news this morning that PERIC, after approval by their Board of Directors, has today signed the agreement that we have been negotiating with them for just over six months.

It is important to understand that PERIC has never during the company's approximately 60-year history made a similar license agreement with an external company. The reason that it

has taken time is due to the fact that it is an extremely important agreement not only for Metacon, but also for PERIC, which now will get a more solid channel in Europe with us as a licensee and as a European manufacturer of their unique technology. The fact that the news comes today is a pure coincidence and the reason for this is that the matter has been waiting for approval by PERIC's parent company board for some time. I had hoped that this news could have come out to the market earlier so that we could start our work on the project even before we announced our now initiated fundraising. But rules and regulations around secrecy and disclosure have prevented us from doing so.

With its own experience and solid technical industry knowledge, Metacon will be able to manufacture large pressurized alkaline electrolysers that are adapted and quality assured for the European market from the start and that will meet not only highest regulatory requirements, but also highest demands and expectations from our customers. Since we have assumed that this agreement would be in place, we have referred in our communication about the capital raise to the fact that some of the proceeds will be used, among other things, to strengthen partnerships and strategic projects, and it is, as you understand, this type of partnership and strategic projects we are referring to. Even if it obviously does not cover an entire "Gigafactory project", we want to secure resources to be able to start the establishment project without delay, with all that it entails.

The conditions and background to the OEM agreement

We have recently seen an expanded debate on the EU's position on the appropriateness of the EU subsidising hydrogen initiatives in which Chinese suppliers and manufacturers are involved in selling hydrogen equipment. At the same time as the debate is taking place, it is easy to see that there are only a few European manufacturers of electrolysers who will hardly be able to supply all the equipment that will be needed if the EU's climate goals are to be achieved. In order to avoid future negative decisions that could have an impact on our business as a sole reseller to PERIC and the view of the suitability of having Chinese suppliers, we and PERIC have concluded that Metacon will be allowed to manufacture its own electrolysis systems based on PERIC's proven pressurized alkaline technology and many years of experience. We have therefore negotiated a so-called OEM license, which gives us the right to use all of PERIC's patents and know-how to be able to start our own production. In order to get the business up and running quickly, we will build our facilities with electrolysis stacks and certain other components sourced from PERIC and which we will then assemble and quality assure to European standards using components manufactured in-house or purchased. At a later stage, we may also be granted the right to manufacture all components that are part of the plants, subject to certain conditions. The OEM agreement opens up a number of doors not only for Metacon, but also for PERIC who will be able to be part of our new journey in Europe as a licensor and component supplier. At the same time as the agreement, we are also strengthening our role as a reseller of products and facilities from PERIC.

The OEM agreement contains several important parts, the main one being that Metacon has been granted an exclusive right to use PERIC's design, patents and know-how in several countries in Europe to manufacture complete, large-scale HGS. Initially, we will target PERIC's 5 MW and 10 MW units, respectively. However, the agreement gives us the right to manufacture all sizes of plants that are now manufactured in China. We have also been granted the right to use PERIC's architecture, design and know-how for the construction of the factory itself. Metacon also has the right to adapt and further develop PERIC's basic technology to suit European requirements and to manufacture or purchase several

components for the plants. We also see opportunities to coordinate this manufacturing with the needs for components needed for our own HHG systems, which are based on Metacon's patent for catalytic steam reforming with the HIWAR technology.

Hydrogen generators based on electrolysis technology are proven and are what the market is most familiar with when it comes to fossil-free "green" hydrogen production. PERIC is one of the world's largest manufacturers of electrolysis stacks and their products have been in operation in various facilities for many years. To be able to manufacture complete electrolysis systems based on PERIC's proven technology and basic components is a major breakthrough for Metacon. In addition, with the experience we have accumulated so far in this area, we will be able to adapt the facilities to the high demands and standards set by our European customers, which we believe will be very positive.

The continuation of the project and construction of a "Gigafactory"

In other words, 2024 will be a very intense and significant year for Metacon. Since last autumn, Metacon has had a project team that has primarily worked with the conditions for and negotiations of the OEM agreement with PERIC. The team will now carry out studies and project work with the goal of starting production of electrolyzers as soon as possible. Initially, we aim to set up a production unit with a total capacity of 0.5 gigawatts per year. But the aim is to be able to expand production to gigawatt capacity. With HGS in the size of 5 – 10 MW, we will initially be able to have an annual production of 25 – 50 complete plants.

The agreement gives us major time and cost savings as the basic products are already developed by PERIC and have been proven in operation with PERIC's customers for a long time. In this way, we do not have to reinvent the wheel, which means that we can start our own production faster and with significantly lower development costs than if we had developed the products ourselves. The agreement also gives us the right to adapt and further develop the products to suit the European market, either on our own or together with PERIC. In short, this agreement gives a major advantage over potential competitors who must develop their own products and, over time, ensure the quality of their products.

We will now be looking for a suitable location for our production, which requires good sea and land communications and the availability of skilled personnel. We would like to see this happen in Sweden, but where the production unit is ultimately located depends on several factors such as the availability of premises and possible national economic conditions. We will also review the possibility of manufacturing our own HHG systems and components in the same production facilities as a complement to the operations we already conduct in Patras, Greece.

An important part of the project will be to find and receive positive advance notices from potential customers, which can enable access to greater financing on good terms. The initial contacts that have taken place show that there is a great deal of interest in additional manufacturers of electrolysis-based hydrogen plants in Europe and we will be one of them.

OEM agreement with PERIC for the manufacture of our HHG systems

Our proprietary reforming technology, known as HHG, is a unique complement to electrolysis-based systems for the production of the same "green" hydrogen from fossil-free feedstocks other than electricity, and which works even when there is no access to fossil-free or cheap electric power. PERIC has for some time shown interest in obtaining a corresponding

OEM agreement for the sale and manufacture of our HHG systems in China. The negotiations of this agreement, which we previously agreed on in November last year, can now begin in parallel with the certification of our HHG systems with the finalization of this OEM agreement. An agreement is expected to largely mirror the OEM agreement that we have now reached with PERIC, where we will similarly be a supplier of important components to PERIC, including the important hydrogen reactor where the catalytic steam reforming of hydrocarbon-based raw gases takes place. In this way, we ensure that there is no technology transfer of our important core technology to any other party. This agreement will give PERIC exclusive rights to sell and manufacture HHG's in China and it gives Metacon indirect access to one of the world's most expansive hydrogen markets. Through the agreement, Metacon will be relieved of both significant costs for marketing and sales work in China but also in terms of production capacity. An important prerequisite, however, is that we have a good plan and technical preparation for all sub-steps that must be completed to enable a successful technology transfer and market introduction.

In conclusion

I hope that with this year's first Metacon Insights, I have been able to convey a picture and understanding of the great work that has occupied our organization's focus over the past six months. As I pointed out above, this news and also the upcoming agreement with PERIC for the manufacture of our reformer systems means a "game-changer" for Metacon and that may take the company to completely new levels in the future. The European market lacks sufficient domestic production capacity to cover the need for new electrolysis plants, which we will be able to help meet through the OEM agreement with limited efforts. With our partnership with PERIC, we also get a unique opportunity to sell our HHGs on the Chinese market with correspondingly reasonable efforts. My hope is that this will enable us to increase our total sales both in Europe and in the Chinese market, the world's largest hydrogen market. It will not happen overnight, and it now remains to realize the agreements by both we and PERIC starting to build production capacity for the manufacture of HGS and HHG systems. It is also clear that with these two agreements and the form of cooperation in general, we are acting as forerunners in how Western technology companies can cooperate with Chinese companies without mixing ownership or in any way risking trading on geopolitical or national interests. This only enables new and increased business, local jobs, exports, tax revenues and shareholder value on both sides, while our common environment and climate will be a big winner. I would also like to extend a big personal thank you to all of you patient owners and supporters of our company and exciting business. I also hope and believe that it is now a little easier to see what we have been doing and what the plan has been in recent years to reshape the "old Metacon" and build a unique company in fossil-free hydrogen production with a platform that only a few companies in the world have. I look forward to comments and views and hope that you, in the same way as I do, see the conditions and opportunities for continued expansion of the business to a completely different extent that have now been created.

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