

**PRESS RELEASE**

## **Hydrogenics Reports Third Quarter 2018 Results**

*New Awards Mark Continued Progress on Long Term Growth Trajectory; Third Quarter Revenues Reflect Fluctuation in Draw Downs on Orders*

**Mississauga, Ontario. November 2, 2018 – Hydrogenics Corporation (NASDAQ: HYG; TSX: HYG)** ("Hydrogenics" or "the Company"), a leading developer and manufacturer of hydrogen generation and hydrogen-based power modules, today reported third quarter 2018 financial results. Results are reported in US dollars and are prepared in accordance with International Financial Reporting Standards (IFRS).

### **Recent Highlights**

"Hydrogenics achieved several critical commercialization milestones during the third quarter on deployments with key, marquee customers, expected to drive significant value for the Company and support our positive outlook for 2019 and beyond," said Daryl Wilson, President and Chief Executive Officer. "Ongoing trends for electrification and the disruption of energy systems using hydrogen have brought increasing attention from existing and new strategic partners alike in recent months, building momentum across multiple applications. The world's first hydrogen-powered train – Alstom's Coradia iLint – is now in regular, reliable service after making an impressive debut at the recent InnoTrans show in Berlin. This milestone is driving significant interest in Europe and North America, as municipalities, EPC developers, and railway operators are riding these trains and asking for additional information. We still expect our first order from Alstom this year.

"Fluctuations in order draw down are to be expected in new emerging markets and, while evident in the third quarter, it does not affect our longer-term confidence or outlook. Our strong product platforms – diversified across multiple applications and geographies – serve us well in mitigating these variations over the long term. While the flow of funding and support of infrastructure has delayed uptake, we remain optimistic regarding ongoing demand in the coming quarters.

"We continue to announce awards that showcase the versatility of our cutting-edge technology to address a wide-array of hydrogen-related energy requirements the world over. We have numerous opportunities in the bid pipeline, highlighted by a number of projects with global brands in areas such as trucking, trains, aerospace and fueling which, in total, would amount to over \$100 million of orders outside of China. We continue to believe Hydrogenics is uniquely-positioned to succeed based on the unmatched strength of our technology and breadth of our product portfolio."

### **Summary of Results for the Quarter Ended September 30, 2018**

- Company revenue was \$7.7 million in the third quarter of 2018 compared with \$12.1 million in 2017, with the year-over-year decline attributable to the quarterly variability in draw down against existing orders for the Chinese market.
- Gross profit was \$1.5 million, or 19.2% of sales, for the third quarter of 2018 compared with \$2.9 million or 24.0% of sales, last year, reflecting lower revenue and a higher overhead absorption rate.
- Ongoing improvement in the management of cash operating costs<sup>1</sup> which decreased by \$0.9 million year-over-year.
- The Company's Adjusted EBITDA<sup>2</sup> decreased \$0.6 million for the third quarter of 2018 compared to the same period in 2017, reflecting the lower gross profit, partially offset by the decrease in cash operating costs.

- Net loss increased to \$3.4 million, or \$(0.22) per share, in 2018 from 2.0 million, or \$(0.13) per share, in the prior year's comparable period.
- The Company ended the third quarter of 2018 with the backlog at \$132.1 million, securing new orders of \$21.4 million year to date. Order backlog movement during the third quarter (in \$ millions) was as follows:

|                   | June 30, 2018 | Orders Received | Foreign Exchange | Revenue Recognized | September 30, 2018 |
|-------------------|---------------|-----------------|------------------|--------------------|--------------------|
| OnSite Generation | 20.5          | 5.1             | (0.2)            | 4.5                | 20.9               |
| Power Systems     | 111.3         | 3.0             | 0.1              | 3.2                | 111.2              |
| Total             | 131.8         | 8.1             | (0.1)            | 7.7                | 132.1              |

- Of the above backlog of \$132.1 million, Hydrogenics expects to recognize approximately \$55.3 million in the following twelve months as revenue. Revenue for the year ending December 31, 2018 will also include orders received and delivered in 2018.

## Notes

1. Cash operating costs are defined as the sum of SG&A and R&D, less amortization and depreciation, and stock-based compensation expense inclusive of compensation costs indexed to the Company's share price. This is a non-IFRS measure and may not be comparable to similar measures used by other companies. Management uses this measure as a rough estimate of the amount of fixed costs to operate the Corporation and believes this is a useful measure for investors for the same purpose.
2. Adjusted EBITDA is defined as net loss excluding stock-based compensation (both cash settled long term compensation indexed to share price and share based compensation), other finance income and expenses, depreciation and amortization. These items are considered by management to be outside of Hydrogenics' ongoing operational results. Adjusted EBITDA is a non-IFRS measure and may not be comparable to similar measures used by other companies.

## Conference Call Details

Hydrogenics will hold a conference call at 10:00 a.m. EST on November 2, 2018 to review the third quarter results. The telephone number for the conference call is (877) 307-1373 or, for international callers, (678) 224-7873. A live webcast of the call will also be available on the company's website, [www.hydrogenics.com](http://www.hydrogenics.com).

An archived copy of the conference call and webcast will be available on the company's website, [www.hydrogenics.com](http://www.hydrogenics.com), approximately six hours following the call.

## About Hydrogenics

[Hydrogenics Corporation](http://www.hydrogenics.com) is a world leader in engineering and building the technologies required to enable the acceleration of a global power shift. Headquartered in Mississauga, Ontario, Hydrogenics provides hydrogen generation, energy storage and hydrogen power modules to its customers and partners around the world. Hydrogenics has manufacturing sites in Germany, Belgium and Canada and service centers in Russia, Europe, the US and Canada.

## Forward-looking Statements

This release contains forward-looking statements within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995, and under applicable Canadian securities law. These statements are based on management's current expectations and actual results may differ from these forward-looking statements due to numerous factors, including: our inability to increase our revenues or raise additional funding to continue operations, execute our business plan, or to grow our business; inability to address a slow return to economic growth, and its impact on our business, results of operations and consolidated financial condition; our limited operating history; inability to implement our business strategy; fluctuations in our quarterly results; failure to maintain our customer base that generates the majority of our revenues; currency fluctuations; failure to maintain sufficient insurance coverage; changes in value of our goodwill; failure of a significant market to develop for our products; failure of hydrogen being readily available on a cost-effective basis; changes in government policies and regulations; failure of uniform codes and standards for hydrogen fueled vehicles and related infrastructure to develop; liability for

environmental damages resulting from our research, development or manufacturing operations; failure to compete with other developers and manufacturers of products in our industry; failure to compete with developers and manufacturers of traditional and alternative technologies; failure to develop partnerships with original equipment manufacturers, governments, systems integrators and other third parties; inability to obtain sufficient materials and components for our products from suppliers; failure to manage expansion of our operations; failure to manage foreign sales and operations; failure to recruit, train and retain key management personnel; inability to integrate acquisitions; failure to develop adequate manufacturing processes and capabilities; failure to complete the development of commercially viable products; failure to produce cost-competitive products; failure or delay in field testing of our products; failure to produce products free of defects or errors; inability to adapt to technological advances or new codes and standards; failure to protect our intellectual property; our involvement in intellectual property litigation; exposure to product liability claims; failure to meet rules regarding passive foreign investment companies; actions of our significant and principal shareholders; dilution as a result of significant issuances of our common shares and preferred shares; inability of US investors to enforce US civil liability judgments against us; volatility of our common share price; and dilution as a result of the exercise of options. Readers should not place undue reliance on Hydrogenics' forward-looking statements. Investors are encouraged to review the section captioned "Risk Factors" in Hydrogenics' regulatory filings with the Canadian securities regulatory authorities and the US Securities and Exchange Commission for a more complete discussion of factors that could affect Hydrogenics' future performance. Furthermore, the forward-looking statements contained herein are made as of the date of this release, and Hydrogenics undertakes no obligations to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release, unless otherwise required by law. The forward-looking statements contained in this release are expressly qualified by this.

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**Reconciliation of Cash Operating Costs to Operating Costs and Adjusted EBITDA to Net Loss**

(in thousands of US dollars)

(unaudited)

**Cash operating costs**

|  | Three months ended    |                       | Nine months ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 30,<br>2018 | September 30,<br>2017 | September 30,<br>2018 | September 30,<br>2017 |
| Selling, general and administrative expenses                   | \$ 3,097              | \$ 2,909              | \$ 8,957              | \$ 9,177              |
| Research and product development expenses                      | 1,316                 | 2,157                 | 5,277                 | 4,654                 |
| Total operating costs  | \$ 4,413              | \$ 5,066              | \$ 14,234             | \$ 13,831             |
| Less: Amortization and depreciation                            | (130)                 | (101)                 | (322)                 | (314)                 |
| Less: DSUs (expense) recovery                                  | (6)                   | 176                   | 382                   | (548)                 |
| Less: Stock-based compensation expense (including PSUs & RSUs) | (245)                 | (199)                 | (710)                 | (540)                 |
| Less: Gain (loss) on disposal of assets                        | 21                    | (3)                   | 15                    | (117)                 |
| Cash operating costs   | \$ 4,053              | \$ 4,939              | \$ 13,549             | \$ 12,312             |

**Adjusted EBITDA**

|  | Three months ended    |                       | Nine months ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 30,<br>2018 | September 30,<br>2017 | September 30,<br>2018 | September 30,<br>2017 |
| Net loss   | \$ (3,443)            | \$ (2,031)            | \$ (10,198)           | \$ (9,790)            |
| Finance (income) loss, net                               | 501                   | (138)                 | 2,474                 | 1,969                 |
| Income tax expense                                       | —                     | —                     | 300                   | —                     |
| Amortization and depreciation                            | 162                   | 199                   | 514                   | 600                   |
| DSUs expense (recovery)                                  | 6                     | (176)                 | (382)                 | 548                   |
| Stock-based compensation expense (including PSUs & RSUs) | 245                   | 199                   | 710                   | 540                   |
| Adjusted EBITDA  | \$ (2,529)            | \$ (1,947)            | \$ (6,582)            | \$ (6,133)            |

**Hydrogenics Corporation**  
Condensed Consolidated Balance Sheets  
(in thousands of US dollars)  
(unaudited)

|                                      | September 30,<br>2018 | December 31,<br>2017 | January 1,<br>2017 |
|--------------------------------------|-----------------------|----------------------|--------------------|
| <b>Assets</b>                        |                       |                      |                    |
| <b>Current assets</b>                |                       |                      |                    |
| Cash and cash equivalents            | \$ 10,813             | \$ 21,511            | \$ 10,338          |
| Restricted cash                      | 792                   | 435                  | 405                |
| Trade and other receivables          | 7,461                 | 8,736                | 5,144              |
| Contract assets                      | 3,090                 | 6,578                | 5,572              |
| Inventories                          | 19,091                | 15,048               | 17,130             |
| Prepaid expenses                     | 1,772                 | 1,374                | 1,198              |
|                                      | <b>43,019</b>         | <b>53,682</b>        | <b>39,787</b>      |
| <b>Non-current assets</b>            |                       |                      |                    |
| Restricted cash                      | 292                   | 468                  | 535                |
| Contract assets                      | 2,469                 | 645                  | –                  |
| Investment in joint ventures         | 1,792                 | 2,797                | 1,750              |
| Property, plant and equipment        | 2,587                 | 3,874                | 4,095              |
| Intangible assets                    | 228                   | 180                  | 203                |
| Goodwill                             | 4,419                 | 4,569                | 4,019              |
|                                      | <b>11,787</b>         | <b>12,533</b>        | <b>10,602</b>      |
| <b>Total assets</b>                  | <b>\$ 54,806</b>      | <b>\$ 66,215</b>     | <b>\$ 50,389</b>   |
| <b>Liabilities</b>                   |                       |                      |                    |
| <b>Current liabilities</b>           |                       |                      |                    |
| Operating borrowings                 | \$ –                  | \$ 1,200             | \$ 2,111           |
| Trade and other payables             | 10,984                | 10,361               | 8,059              |
| Contract liabilities                 | 12,449                | 11,821               | 10,268             |
| Financial liabilities                | 4,524                 | 4,913                | 3,939              |
| Warranty provisions                  | 936                   | 1,174                | 1,221              |
| Deferred funding                     | 1,713                 | 880                  | 508                |
|                                      | <b>30,606</b>         | <b>30,349</b>        | <b>26,106</b>      |
| <b>Non-current liabilities</b>       |                       |                      |                    |
| Other liabilities                    | 7,256                 | 8,516                | 9,262              |
| Contract liabilities                 | 1,562                 | 2,223                | 3,494              |
| Warranty provisions                  | 806                   | 921                  | 841                |
| Deferred funding                     | 470                   | 33                   | 12                 |
|                                      | <b>10,094</b>         | <b>11,693</b>        | <b>13,609</b>      |
| <b>Total liabilities</b>             | <b>40,700</b>         | <b>42,042</b>        | <b>39,715</b>      |
| Share capital                        | 387,911               | 387,746              | 365,923            |
| Contributed surplus                  | 20,470                | 19,885               | 19,255             |
| Accumulated other comprehensive loss | (2,441)               | (1,822)              | (3,623)            |
| Deficit                              | (391,834)             | (381,636)            | (370,881)          |
| <b>Total equity</b>                  | <b>14,106</b>         | <b>24,173</b>        | <b>10,674</b>      |
| <b>Total equity and liabilities</b>  | <b>\$ 54,806</b>      | <b>\$ 66,215</b>     | <b>\$ 50,389</b>   |

**Hydrogenics Corporation**

## Consolidated Statements of Operations and Comprehensive Loss

(in thousands of US dollars, except share and per share amounts)

(unaudited)

|   | Three months ended |            | Nine months ended |            |
|---|--------------------|------------|-------------------|------------|
|   | September 30,      |            | September 30,     |            |
|   | 2018               | 2017       | 2018              | 2017       |
| <b>Revenues</b>   | \$ 7,665           | \$ 12,079  | \$ 23,421         | \$ 28,370  |
| <b>Cost of sales</b>  | 6,194              | 9,182      | 16,611            | 22,360     |
| <b>Gross profit</b>   | 1,471              | 2,897      | 6,810             | 6,010      |
| <b>Operating expenses</b>   |                    |            |                   |            |
| Selling, general and administrative expenses                              | 3,097              | 2,909      | 8,957             | 9,177      |
| Research and product development expenses                                 | 1,316              | 2,157      | 5,277             | 4,654      |
|   | 4,413              | 5,066      | 14,234            | 13,831     |
| <b>Loss from operations</b>   | (2,942)            | (2,169)    | (7,424)           | (7,821)    |
| <b>Finance income (loss)</b>  |                    |            |                   |            |
| Interest expense, net on financial instruments measured at amortized cost | (369)              | (464)      | (1,122)           | (1,387)    |
| Foreign currency (losses) gains, net                                      | (61)               | 58         | (19)              | 513        |
| Loss from joint ventures  | (15)               | (87)       | (1,576)           | (258)      |
| Other finance gains (losses), net   | (56)               | 631        | 243               | (837)      |
| <b>Finance income (loss), net</b>   | (501)              | 138        | (2,474)           | (1,969)    |
| <b>Loss before income taxes</b>   | (3,443)            | (2,031)    | (9,898)           | (9,790)    |
| <b>Income tax expense</b>   | –                  | –          | 300               | –          |
| <b>Net loss for the period</b>  | (3,443)            | (2,031)    | (10,198)          | (9,790)    |
| <i>Items that may be reclassified subsequently to net loss</i>            |                    |            |                   |            |
| Exchange differences on translating foreign operations                    | (61)               | 409        | (619)             | 1,357      |
| <b>Comprehensive loss for the period</b>                                  | \$ (3,504)         | \$ (1,622) | \$ (10,817)       | \$ (8,433) |
| <b>Net loss per share</b>   |                    |            |                   |            |
| Basic and diluted   | \$ (0.22)          | \$ (0.13)  | \$ (0.66)         | \$ (0.73)  |
| Weighted average number of common shares outstanding, basic and diluted   | 15,442,416         | 15,232,905 | 15,440,081        | 13,491,562 |

**Hydrogenics Corporation**  
Consolidated Statements of Cash Flows  
(in thousands of US dollars) (unaudited)

|   | Three months ended |                  | Nine months ended |                  |
|---|--------------------|------------------|-------------------|------------------|
|   | September 30,      |                  | September 30,     |                  |
|   | 2018               | 2017             | 2018              | 2017             |
| <b>Cash and cash equivalents provided by (used in):</b>                               |                    |                  |                   |                  |
| <b>Operating activities</b>   |                    |                  |                   |                  |
| Net loss for the period   | \$ (3,443)         | \$ (2,031)       | \$ (10,198)       | \$ (9,790)       |
| Decrease (increase) in restricted cash  | 77                 | 133              | (202)             | (869)            |
| Items not affecting cash:   |                    |                  |                   |                  |
| Loss (gain) on disposal of property, plant and equipment                              | (21)               | 3                | (15)              | 117              |
| Amortization and depreciation   | 162                | 199              | 514               | 600              |
| Loss (gain) from change in fair value of warrants                                     | 33                 | (631)            | (323)             | 615              |
| Unrealized foreign exchange (gain) loss   | 64                 | 279              | (139)             | 146              |
| Unrealized loss on joint ventures   | 15                 | 87               | 1,576             | 258              |
| Accreted interest   | 429                | 467              | 1,286             | 1,608            |
| Stock-based compensation  | 245                | 199              | 710               | 540              |
| Stock-based compensation – DSUs   | 6                  | (176)            | (382)             | 548              |
| Net change in non-cash operating assets and liabilities                               | (217)              | (6,977)          | (1,076)           | (5,079)          |
| <b>Cash used in operating activities</b>  | <b>(2,650)</b>     | <b>(8,448)</b>   | <b>(8,249)</b>    | <b>(11,306)</b>  |
| <b>Investing activities</b>   |                    |                  |                   |                  |
| Investment in joint venture   | –                  | –                | –                 | (93)             |
| Purchase of property, plant and equipment   | (204)              | (180)            | (539)             | (2,255)          |
| Receipt of government funding   | –                  | 32               | 974               | 1,883            |
| Proceeds from disposals of property, plant and equipment                              | 700                | –                | 700               | 1,035            |
| Purchase of intangible assets   | (95)               | (33)             | (96)              | (34)             |
| <b>Cash provided by (used in) investing activities</b>                                | <b>401</b>         | <b>(181)</b>     | <b>1,039</b>      | <b>536</b>       |
| <b>Financing activities</b>   |                    |                  |                   |                  |
| Proceeds from common shares issued and stock options exercised, net of issuance costs | 39                 | (40)             | 40                | 19,730           |
| Principal repayment of long-term debt   | (500)              | –                | (1,250)           | (500)            |
| Interest payment  | (276)              | –                | (858)             | (788)            |
| Proceeds (repayment) of operating borrowings  | –                  | 98               | (1,193)           | 287              |
| Repayment of repayable government contributions                                       | –                  | (1)              | –                 | (113)            |
| <b>Cash provided by (used in) financing activities</b>                                | <b>(737)</b>       | <b>57</b>        | <b>(3,261)</b>    | <b>18,616</b>    |
| Increase (decrease) in cash and cash equivalents during the period                    | (2,986)            | (8,572)          | (10,471)          | 7,846            |
| Cash and cash equivalents – Beginning of period                                       | 13,847             | 27,161           | 21,511            | 10,338           |
| Effect of exchange rate fluctuations on cash and cash equivalents held                | (48)               | (244)            | (227)             | 161              |
| <b>Cash and cash equivalents – End of period</b>                                      | <b>\$ 10,813</b>   | <b>\$ 18,345</b> | <b>\$ 10,813</b>  | <b>\$ 18,345</b> |