

Company announcement 04/2023

Green Hydrogen Systems announces medium-term targets and update on potential capital increase

Kolding, Denmark, 1 March 2023 – In connection with today's Board of Directors meeting in Green Hydrogen Systems, the Company announces medium-term targets for the period towards 2026 and provides an update on a potential upcoming capital increase.

Medium-term targets

As communicated in company announcement 02/2023, Green Hydrogen Systems (the "**Company**") has been in process of validating its medium-term targets. The new medium-term targets include the Company's expectations to the financial development for 2026. The new medium-term targets compared to the medium-term targets set out in Green Hydrogen Systems' IPO prospectus from June 2021 reflect continued comfort in the competitiveness of the Company's product offering, continued positive development of the green hydrogen market with an increase in expected demand for electrolysis capacity as well as the impacts from the delay in the Company's commercial ramp-up caused by the previous issues with the A-Series.

By 2026, the Company targets total revenue from customer contracts of more than DKK 1,200 million and a positive EBITDA. In 2025, the Company targets delivery and revenue recognition of 150 MW of electrolysis capacity corresponding to revenue of around DKK 1,000 million including service revenue.

A successful development and commercial ramp-up of the X-Series with the first sale to customers targeted by the end of 2023 is expected to be a significant growth driver. From 2024, the X-Series will become the main contributor to revenue when the first X-Series electrolyzers are to be delivered and revenue recognised. Demand for the A-Series electrolyzers is expected to continue around the same level as in 2023 based upon various de-central applications and projects.

While the Company currently observes increasing average selling prices mainly due to inflation, the general assumption is a gradual decrease towards 2026 as the market and general competition develop.

The revenue growth is expected to be the main contributor to the targeted EBITDA development. In addition, the Company's cost-out plan is expected to contribute to the gradual improvement in margins with COGS (Cost of Goods Sold) expected to be around 75% of revenue in 2026. The Company targets cost-out of 50% from the X-Series and 20-30% from the A-Series in 2026 compared to current cost levels.

The revenue and EBITDA development in the years until 2026 and the medium-term targets for 2026 are sensitive to a number of key assumptions, including particularly the future timing of X-Series sales and delivery. A 1-year delay in commercialisation of the X-Series is estimated to decrease revenue by around DKK 300 million in 2026 and turn EBITDA slightly negative (all else equal).

Investment in tangible and intangible assets is expected to have peaked in 2022 and thereafter to decline gradually. The majority of the investments towards 2026 are related to R&D activities with numerous activities to further increase system performance of the A-Series and X-Series product platforms. Working capital is expected to be impacted positively by prepayments, however, a significant share of prepayments will expectedly be restricted for counter guarantees. The cash flow towards 2026 will be negative due to the EBITDA development and continued investments, and thus the medium-term targets will be contingent on a potential capital increase in the first half of 2023 as discussed further below.

Update on capital increase

As communicated in company announcement 02/2023 Green Hydrogen Systems targets a capital increase during the first half of 2023.

A capital increase will target gross proceeds of up to DKK 650 million (net proceeds of up to DKK 600 million) and is contemplated to be a rights issue with issuance of new shares with pre-emptive rights for existing shareholders. A prospectus is expected to be published in the second quarter of 2023. In connection with the Annual General Meeting

scheduled for 18 April 2023, Green Hydrogen Systems' Board of Directors plan to seek authorisation to increase the share capital with pre-emptive rights for existing shareholders.

The Company is in dialogue with several of its current larger shareholders and potential new shareholders regarding such potential capital increase.

Net proceeds from the targeted capital increase are in combination with current available funds and potential debt financing aimed at funding growth investments and the operations of the Company. Investments are expected across five areas: 1) continued R&D efforts to further increase the system performance of the A-Series product platform and development of the X-Series product platform, 2) investments to enable product industrialisation and scale-up of the production facilities, 3) expansion of commercial and organisational ramp-up by attracting the needed and right competences, 4) Strengthening the balance sheet to fulfil security guarantees required by customers, and 5) Secure sufficient working capital to operate and support the growth of the company. Due to a delay in the commercial ramp-up caused by previous issues with the A-Series, a capital increase is targeted earlier than previously expected.

Net proceeds from the targeted capital increase are aimed at providing the company with sufficient funds to maintain a strong balance sheet including to meet certain financial covenants related to its debt arrangements until end of 2025. However, such timing is sensitive to the assumptions and realisation of the medium-term targets, especially with regard to the X-Series and actual terms of prepayments. Eg, a delay in the commercialisation of the X-Series by around one year, or an increase in amount of prepayments restricted for counter guarantees of around 50%, will have an estimated negative cash impact of around DKK 150 million. In addition, the Company may consider accelerating and/or prioritising investments differently, building a stronger balance sheet, and investing in growth opportunities emerging which could also affect timing of when the Company require additional capital.

Green Hydrogen Systems is continuously monitoring its capital structure and spendings and uses its performance management framework to drive the needed capital and cost discipline. The Company expects a modest back office and administration cost increase in the business plan period, and by the end of 2023 to have the platform established to support and drive the expansion in the coming years.

Danske Bank is acting as financial adviser to the Company on the potential capital increase.

For more info please contact:

Investors:

Jens Holm Binger, Head of Investor Relations,
+45 6065 6525, jhb@greenhydrogen.dk

Media:

Jesper Buhl, Head of Public Affairs and Media Relations,
+45 5351 5295, jbu@greenhydrogen.dk

Important notice:

The statements contained in this announcement may include "forward-looking statements" that express expectations as to future events or results. Forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "seeks", "should" or "targets" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by such forward-looking statements. Any of the assumptions underlying forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in forward-looking statements may not actually be achieved. Nothing contained in this announcement should be construed as a profit forecast or profit estimate. Investors and any other recipients of such communications are cautioned not to place reliance on any forward-looking statements. Recipients of this announcement are strongly urged not to place undue reliance on any of the statements set forth above. There is no assurance that the targets and expectations described above will materialize or prove to be

correct. Because these statements are based on assumptions and/or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those described above.

This announcement does not constitute and is not intended to form part of any offer, or the solicitation of any offer, to buy, subscribe for or sell any shares (or any other security) in Green Hydrogen Systems and nothing in this announcement shall in any way constitute or form part of any legal agreement or be relied on in connection with, any contract, commitment or investment decision. Each recipient of the information contained in this announcement is responsible for making its own independent assessment of the business, financial condition, prospects, status and affairs of Green Hydrogen Systems. No person shall have any right of action against Green Hydrogen Systems or any other person in relation to the accuracy or completeness of the information contained in the Presentation.

This announcement and the information contained herein are not a solicitation of an offer to buy securities or an offer for the sale of securities in the United States (within the meaning of Regulation S under the United States Securities Act of 1933). Green Hydrogen Systems has not and does not expect to register any securities that it may offer under the United States Securities Act of 1933, or the securities laws of any state of the United States or any other jurisdiction thereof, and any such securities may not be offered or sold in the United States absent registration under the United States Securities Act of 1933 or an available exemption from it.

This announcement is not, and should not be construed as, a prospectus for purposes of Regulation (EU) 2017/1129 (as amended) (the "Prospectus Regulation") or an offering document and has not been reviewed or approved by any regulatory or supervisory authority in any jurisdiction. The information contained in this announcement does not constitute and does not form part of, and should not be construed as an offer for sale or subscription of or a solicitation or invitation of any offer to subscribe for or purchase any securities of Green Hydrogen Systems, any other member of the Group or any other entity in any jurisdiction, and nothing contained therein shall form the basis of or be relied on in connection with any contract or commitment whatsoever. In particular, it must not be used in making any investment decision.

Danske Bank A/S ("Danske Bank") and its affiliates is acting exclusively for the Company and no-one else in connection with the potential capital raise. It will not regard any other person as their respective clients in relation to the offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in relation to the potential capital raise, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with a potential capital increase, Danske Bank and any of its affiliates, acting as investors for their own accounts, may subscribe for or purchase shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such shares and other securities of the Company or related investments in connection with the offering or otherwise. Accordingly, references in the offering memorandum or prospectus, to the securities being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, Danske Bank and any of its affiliates acting as investors for their own accounts. Danske Bank do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Green Hydrogen Systems in brief

Green Hydrogen Systems is a leading provider of standardised and modular electrolysers to produce green hydrogen solely based on renewable electricity. With its wide range of possible applications, green hydrogen plays a key role in the ongoing fundamental shift in our energy systems towards a net-zero emission society in 2050. As a result, the demand for green hydrogen is surging, requiring a significant scale-up of electrolysis capacity. Founded in 2007 and building on more than 10 years of technology development, Green Hydrogen Systems today has a commercially proven and cost-competitive electrolysis technology endorsed by leading energy, as well as industrial companies.

Source: Green Hydrogen Systems

Ticker: GREENH

Tag: Company announcement