

Trading statement Q1 2022



GREEN
HYDROGEN
SYSTEMS

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Performance highlights for Q1 2022

- Positive pipeline development and market fundamentals in key strategic markets supported by national and European initiatives to increase pace of the green transition and independence in energy production
- Two customer orders in Q1 2022 totalling 1.8 MW and two additional customer orders of a total of 1.4 MW in April 2022
- Backlog of 12 MW - an increase of 7.1 MW or 2.5 times compared to Q1 2021
- Revenue from customer contracts of DKK 0.1 million compared to DKK 0.3 million in Q1 2021
- Gross profit of DKK -2.5 million compared to DKK 0.7 million in Q1 2021
- EBITDA of DKK -50 million compared to DKK -36 million in Q1 2021
- Development of the future X-Series platform remains a high priority and is progressing as planned
- Expansion of production facilities to 400 MW electrolyser capacity progressing according to planned timeline and budget

Guidance for 2022

Due to the technical design complications related to the HyProvide® A-Series platform announced 12 April 2022 (company announcement 04/2022), the guidance for 2022 has been suspended. The guidance will be resumed when a firm plan has been established.

Sebastian Koks Andreassen, CEO of Green Hydrogen Systems comments:

"2022 started out on a positive note with several new customer orders. Unfortunately, in April, we faced certain technical design complications on the A-Series product platform, which made us temporarily halt product deliveries and as a consequence thereof we had to suspend the guidance for 2022."

"Our testing and technical reviews had identified certain technical design issues related to the initial A-Series products of our Mk1 version. Despite our disappointment in detecting these issues, each of the identified technical issues are assessed manageable and relate to plausible complications in an industrial process of driving innovative technology from the initial Mk1 versions to serial production. That said, the full range of issues requires us to correct certain product components and functions and to allow time for recalibration and validation."

"We are working intensively to confirm our plan for these technical corrections, and thereafter to confirm our adjusted delivery schedule and revised guidance for 2022."

"Despite this temporary technical setback we have full confidence in the competitive advantages and potential of our innovative pressurised alkaline electrolyser technology. The development of the future X-Series platform remains high priority and is progressing as planned."

"We are observing a positive market momentum and outlook. The EU has recently announced initiatives to significantly accelerate the production and use of green hydrogen in 2030 by 400%. The expected production can be translated into global electrolysis capacity of 320-400 GW providing a significant potential for us to supply the market with the X-Series electrolyser platform from 2023."

Business highlights

Technical design complications related to the A-Series

With reference to company announcement 04/2022 from 12 April 2022, technical issues have been identified concerning certain product components and functions in the first A-Series Mk1 versions. The issues were discovered as part of a thorough test and validation process at the factory in Kolding. As a consequence of the technical design complications identified, guidance for 2022 has been suspended. The guidance will be resumed when a firm plan has been established.

Green Hydrogen Systems has assessed that the technical issues and root causes have been identified. In close coordination with key suppliers, implementation plans for corrective actions and subsequent test and validation are being established.

Following a firm implementation plan, Green Hydrogen Systems will engage in further customer dialogue concerning production, test and potential consequences for delivery of the existing order backlog. Based on the customer dialogue and production planning the financial impact will be determined to enable a resumption of the guidance for 2022.

It is in the utmost interest of Green Hydrogen Systems to continuously provide updated information to the Company's external stakeholders. Consequently, communication on progress and reiteration of guidance for 2022 will follow stepwise.

Proven technology and development of the X-Series

Green Hydrogen Systems has previously delivered five A-Series electrolysers in a former Mk0 product version. Daily, these electrolysers are at the customer sites producing hydrogen for various end-use cases. The operational data from the installed base confirms the reliability and performance of the core technology and Green Hydrogen Systems' ability to develop and deliver efficient electrolysers based on pressurised alkaline electrolysis.

Green Hydrogen Systems remains confident that the A-Series complications will be resolved securing a technological and price competitive offering for small-scale projects. Development of the X-Series platform targeting large scale projects remains a high priority, and development is progressing as planned with prototype launch targeted for Q4 2022. Technology upgrades from the A-Series are being taken into account during the design and test phases for the X-Series.

Customer orders and backlog

In Q1 2022, two orders totalling 1.8 MW were signed. The orders were placed by Scotland-based hydrogen technology company Logan Energy and Norwegian-based gas technology provider Liquiline respectively. The electrolysers ordered in Q1 2022 will be applied across different end-use applications. Green Hydrogen Systems and the individual customers will gain valuable operational experience from these relatively small-scale projects in preparation for future large-scale hydrogen applications based on pressurised alkaline electrolysis. The orders signed in Q1 2022 increased the total backlog to 12 MW. Compared to Q1 2021, the backlog has increased by 7.1 MW or 2.5 times.

As subsequent events in April 2022, Green Hydrogen Systems signed additional two orders, with Gaznat and Logan Energy, totalling 1.4 MW.

Business highlights continued

Market fundamentals

In early March, the European Union outlined its RePowerEU plan to make Europe independent of Russian fossil fuels with the short-term focus on gas. Among several initiatives supporting independent energy production and green transition of Europe's energy systems, the introduction of green hydrogen and further scaling of green hydrogen production remains a key priority. The European Union is increasing its targets of annual green hydrogen production to 20 million tonnes in 2030, up from 5 million tonnes. Hydrogen Europe – an organisation representing European-based hydrogen companies and stakeholders – estimates a demand for 320-400 GW electrolysis capacity to meet the demand for hydrogen by 2030. The estimated electrolyser demand in 2030 should be compared to the total capacity of 0.3 GW in 2021.

From a national perspective, in March 2022, the Danish government presented a Power-to-X strategy with an ambition to build electrolysis capacity of 4-6 GW in Denmark by 2030. In both Denmark and Europe, the green energy initiatives aim to phase out fossil energy, reduce climate impact, encourage green growth and increase geographical independence in its security of energy supply.

Key figures

DKK '000	Q1 2022	Q1 2021	3M 2022	3M 2021	Full year 2021
Customer orders					
Order backlog end of period (MW)	12.0	4.9	12.0	4.9	10.0
Profit & loss					
Revenue from contracts with customers	97	320	97	320	5,172
Operating profit, EBIT	-57,604	-38,196	-57,604	-38,196	-163,333
Net financials	-1,428	-6,183	-1,428	-6,183	-335,038
Balance sheet					
Total assets	1,228,340	226,553	1,228,340	226,553	1,295,001
Equity	1,102,462	-41,648	1,102,462	-41,648	1,171,842
Cash flows					
Operating activities	-60,396	-42,633	-60,396	-42,633	-155,394
Investing activities	-57,950	-10,882	-57,950	-10,882	-886,771
Financing activities	-1,088	191	-1,088	191	1,153,136
Free cash flow	-119,433	-53,324	-119,433	-53,324	110,971
Cash and cash equivalents*	824,132	102,629	824,132	102,629	958,418
Changes in net working capital	-11,882	-10,704	-11,882	-10,704	-14,286
Employees					
Employees at end of period	219	82	219	82	188
Other performance measures					
Gross profit	-2,488	-686	-2,488	-686	-17,017
Gross profit margin	-2,562%	-214%	-2,562%	-214%	-329%
EBITDA	-50,215	-36,460	-50,215	-36,460	-148,450
EBITDA margin	-51,718%	-11,394%	-51,718%	-11,394%	-2,886%
Intangible CAPEX	31,531	6,497	31,531	6,497	46,889
Tangible CAPEX	26,419	4,385	26,419	4,385	145,417
Total CAPEX	57,950	10,882	57,950	10,882	192,306

*Including financial assets

Conference call details

In connection with the announcement of the Q1 2022 trading statement, Green Hydrogen Systems will host a conference call. The conference call will be held on 3 May 2022 at 10:00 CET. Please visit investor.greenhydrogen.dk to access the presentation used for the meeting.



Conference call details
https://webinars.on24.com/q4/GreenHydrogen_Q1_2022

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Forward-looking statements

This announcement contains forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'outlook', 'guidance', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

Please also refer to the overview of risk factors in the Annual Report 2021 available at greenhydrogen.dk.

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