

Green Hydrogen Systems A/S initiates significant cost-out and restructuring initiatives, adjusts guidance for 2024 and seeks to strengthen its capital base

Kolding, Denmark, October 9, 2024

Green hydrogen continues to play a vital role as a necessary technology for the green energy transition, yet the market adaption of the technology and the development of hydrogen-related production projects have progressed significantly slower than anticipated. In addition, a slower than anticipated development and commercialisation of the Company's X-Series electrolyser product has resulted in a delay in obtaining the first orders for the X-Series and increased the importance of the X-Series being cost competitive from the early stages of commercialisation.

To address this situation, Green Hydrogen Systems is initiating a combined cost-out and restructuring program, which consists of the following material building blocks:

- A cost-out program targeting a significant reduction of the production costs for the X-Series:

The development of the X-Series continues to evolve positively demonstrating very strong test results and the Company has substantial bidding activities ongoing worldwide. However, to increase the X-Series' competitiveness from the early stages of commercialisation, the Company has identified a number of potential initiatives that could improve product cost-effectiveness by 40-50% compared to current levels. Most of these improvements are expected to be implemented by 2026, allowing the Company to potentially reach break-even earlier than would have otherwise been the case.

- A restructuring of its operations:

The Company will initiate a restructuring of its operations aiming at reducing the cost base by at least 40-50% compared to the current level. As of today, the Company is initiating dialogue with relevant employee representatives regarding the reduction of the organisation, which is expected to impact approximately 100 salaried employees.

The combined cost-out and restructuring program will support the Company's objective of becoming profitable even at lower order volumes. The program is, however, expected to lead to one-off implementation costs of DKK 100-150 million to be incurred in 2024 and the first quarter of 2025. The Company will provide periodical updates on the implementation costs and the timing hereof.

“Green hydrogen plays a vital role for the green transition in some of the most challenged industries and we firmly believe that Green Hydrogen Systems has the potential to be a significant part of this important transition. However, we must take into account that the market is not moving as fast as anticipated. This has resulted in challenges, and as a result, we need to adjust and implement substantial changes across our business to ensure our

competitiveness and a strong foundation for the long-term future. We remain confident in the importance of green hydrogen for the energy transition as well as in our products and their role in succeeding with this important technology,” says CEO Peter Friis.

Going forward, Green Hydrogen Systems will exclusively focus on the commercialisation of the X-Series and will consequently discontinue new sales of the A-Series. The execution of the current A-Series product pipeline will proceed as planned aiming to finalise manufacturing of the existing A-Series order backlog in Q1 2025. Customers, who have ordered A-Series units, will have the units delivered under the agreed conditions and the Company will continue to service already delivered A-Series units.

The delay in obtaining the first orders for the X-Series has also had a negative impact on the operational cash flow of the Company which has resulted in a reduction of capital reserves earlier than expected. In combination with the one-off cost required for implementing the cost-out and restructuring initiatives set out above, this implies that Green Hydrogen Systems will breach its covenants with existing lenders by the end of October 2024 (unless waived) and without additional funding will have depleted its existing capital reserves entirely during the first half of 2025.

To ensure the necessary capital reserves to allow the Company to complete the implementation of the cost-out and restructuring initiatives, the Board of Directors has decided to seek an initial strengthening of its capital base with an amount of up to DKK 300 million to be completed before the end of 2024. With the restructuring initiatives expected to be implemented by the end of Q1 2025 and the Company anticipating the first X-Series orders in the coming months, the Board of Directors expects that an additional capital increase of similar or increased size will be necessary and will have to be completed by the summer of 2025. According to the current plans, and assuming successful implementation of the combined cost-out and restructuring program and traction on X-Series sales, this plan will provide the Company with a platform that may enable the transition towards profitability and self-sufficiency by the end of 2026.

The Board of Directors is in constructive dialogues with the Company’s largest shareholders and its lenders to find a solution to the short-term funding requirements.

“Green Hydrogen Systems has leading capabilities within its field and the Board of Directors has a strong belief in its global potential. To succeed, we have evaluated the need for operational adjustments resulting in the implementation of significant changes. To support Green Hydrogen Systems strategic focus, we will adapt the business to its needs and the current market conditions to ensure the future value for the hydrogen market and the investors going forward,” said Thomas Broe-Andersen, Chairman of the Board of Directors.

Adjustment of Guidance for 2024

Green Hydrogen Systems lowers the guidance for 2024 revenue to DKK 105 to 145 million (previously DKK 125 to 165 million). The reason for the adjustment is lack of commercial

traction and the risk of cancellations related to the combined cost-out and restructuring program described above.

The guidance for 2024 with respect to EBITDA of DKK -260 to -220 million is upheld excluding costs incurred in 2024 related to the combined cost-out and restructuring program, which amounts to DKK 100-150 million. If the impact of the combined cost-out and restructuring program is included, the EBITDA guidance for 2024 is in the range DKK - 400 to -300 million depending among other on the actual timing and amount of the implementation cost. However, as mentioned above, the timing of the costs incurred in relation hereto remains uncertain and the Company expects that a part of the costs will not incur until 2025.

The guidance for 2024 with respect to CAPEX is adjusted to DKK 130-160 million (previously DKK 160-200 million) as a consequence of the combined cost-out and restructuring program.

With reference to company announcement 01/2024 of January 23, 2024, mid – and long-term targets are suspended and updated targets may be communicated later, however, at the earliest in connection with the announcement of 2024 Annual Report in March 2025.

The Board of Directors has engaged FIH Partners as financial advisor to assist in investigating options for strengthening of the Company's capital structure.

A **webcast** is held October 9th, at 11:00 (CEST). The webcast is broadcasted live via <https://events.q4inc.com/attendee/346877651>.

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