Game-changing

Decarbonization & Renewable Hydrogen & Gas Solutions

Haffner Energy Announces its Half-Year Results Ending September 30, 2022

- **Improvement of the price competitiveness of HYNOCA® and SYNOCA® solutions, in particular compared to other hydrogen and gas production processes, thanks to a technology not impacted by the rising costs of gas and electricity**
- **Favourable structural dynamics supported by the evolution of the geopolitical and regulatory context**
- **Backlog[(1)] of 54 million euros and pipeline[(2)] of 235 million euros, in progression since the IPO**
- **Solid financial structure, with €48.8 million of available cash at the end of September 2022**
- **Delays in delivery from an important supplier and customer wait-and-see attitude regarding public subsidies impacting the 2022/2023 revenue target**
- **EBITDA[(3)] of €(4.2)m and net income of €(5.3)m**

Vitry-le-François, France, December 19, 2022, 7:00 am CET

Haffner Energy (ISIN code: FR0014007ND6 - Ticker: ALHAF), releases today its half-year results for the period ending September 30, 2022, as approved on December 16, 2022 by the Company's Board of Directors.

Philippe Haffner, Chairman and CEO of Haffner Energy, stated: *"The results for the first half of the year reflect the transition of our offer to HYNOCA® modules and associated services. Thanks to a disruptive, competitive and patented technology, Haffner Energy notably benefits, namely due to the war in Ukraine, from the acceleration of structural trends towards more decarbonization and energy independence at a worldwide level. The new regulations are clearly in favor of carbon-negative technologies, and the importance of hydrogen itself is being reinforced.*

The current context of rampant inflation in the price of fossil fuels and electricity allows HYNOCA® and SYNOCA® technologies to strengthen their differentiation from other hydrogen and gas production processes, notably by their unchanged energy costs. Moreover, the biochar co-product should soon benefit from the accreditation of the "Carbon Removal Certificates" by the European Union. This will further promote the development of our business and the attractiveness of our solutions.

The identified reserves of sustainable biomass, especially agricultural residues, not subject to a conflict of use, are such that biomass thermolysis will, likely, make a massive contribution to the green hydrogen production objectives set by the European Union for 2030 (2x10 million tons per year). Biomass thermolysis also has the advantage of not requiring heavy infrastructure and high electricity consumption, which allows for rapid deployment.

Thanks to the continuing commercial momentum, we are confident for the second half of the year, despite the current tensions in the supply chain resulting in delayed deliveries of certain components. In addition, although the extension of government support for the implementation of renewable hydrogen production projects is in place, the launch of calls for projects, which was expected in the second half of 2022, should only be effective in the first half of 2023. The submission of project applications is generally a prerequisite for the firm commitment of customers, which delays the signature of the most advanced projects by several months.

This short-term delay should not have a significant impact on our medium and long-term development perspectives. On the contrary, the REPower EU plan in Europe and the Inflation Reduction Act (IRA) in the United States bring new opportunities to the production of hydrogen and renewable gas through thermolysis, as well as to Sustainable Aviation Fuel (SAF)."

Key figures as of September 30, 2022 (IFRS standards / k€)

In thousands of euros	30.09.22 (6 months)	30.09.21 (6 months)
Revenue	-	316
EBITDA	(4,204)	(1,535)
Operating result	(5,241)	(1,614)
Net income	(5,274)	(1,656)

In thousands of euros	30.09.22	31.03.22
Shareholder's equity	49,170	54,253
Cash available	48,814	61,429

Continued structuring in the first half of 2022/2023 to achieve future growth

The results of the first half year reflect the continued structuring of the Company to accelerate its development in the sale of HYNOCA® and SYNOCA® modules for green hydrogen and renewable gas production.

During the first half of the year, Haffner Energy did not record any revenues. The Company continues to deploy the R-Hynoca contract in Strasbourg. A demonstration module, corresponding to a new commercial version called 4.0, will be installed on the site in early 2023. The contract with Carbonloop, also integrating version 4.0, signed on September 30, 2022, will give rise to revenue recognition on a percentage-of-completion basis as from the second half of the fiscal year.

In order to support the expected strong growth of its activity, Haffner Energy has pursued an active recruitment policy, with 26 hires during the first half of the year, bringing the total number of employees to 48 by September 30, 2022. The structuring of the Company has also led to an increase in external expenses. EBITDA thus amounts to €(4,204)k against €(1,535)k the previous year.

In addition, operating income includes a provision of €922k for loss on completion to take into account changes in the technology sold and the inflationary price of supplies. This brings the operating income to €(5,241)k, compared to €(1,614)k as at September 30, 2021.

The net loss amounts to €5,274k, compared to €1,656k at September 30, 2021.

As of September 30, 2022, available cash amounted to €48,814k, compared to 61,429 K€ as of March 31, 2022, a change of 12,615 K€, half of which is due to the anticipation of supplier orders. Net cash and cash equivalents amounted to €43,043k as of September 30, 2022.

Strong commercial momentum with a backlog(1) of 54 million euros and a pipeline(2) of 235 million euros

Sales activity was sustained during the first half of the year, supported by a team of 10 employees, compared to 2 six months earlier, and which continues to strengthen.
It has notably resulted in the signature with Carbonloop of an order for a SYNOCA® renewable gas production unit on September 30, 2022. This is the first order signed under the commercial contract signed in October 2021 with Kouros.

More generally, the clients within the €33 million backlog(1) at the time of the IPO (Kouros, Corbat, Roussel, R-Hynoca) are still very active.
The project company with Alkmaar, in partnership with two developers, has been created in the Netherlands to produce hydrogen for mobility.
Advanced discussions with a new French customer should soon lead to a contract for a hydrogen mobility project.
In total, the backlog(1) increased to 54 million euros.

Finally, the pipeline(2) of prospects, which amounted to 183 million euros at the time of the IPO, now stands at 235 million euros thanks, in particular, to the attractiveness of the SYNOCA® syngas offer, which represents 40% of the pipeline and a very significant additional development potential.

Client wait-and-see attitude towards public subsidies

The conversion of these business prospects into firm orders is partly subject to the expected finalization in early 2023, of public policies to support the development of decarbonized hydrogen. In France, more specifically, the inclusion of biomass thermolysis in the ADEME "Hydrogen Territorial Ecosystems" calls for projects will allow public financing of Haffner Energy's customers' investments. In addition, Haffner Energy and France Hydrogène are working together to simplify the ICPE 3420 heading applicable to hydrogen production in order to shorten the administrative procedures necessary to start the projects.

In Europe, inter-institutional discussions about the legislation applicable to renewable and low-carbon hydrogen are ongoing. In order to make final investment decisions, renewable and low-carbon hydrogen project developers want a clear regulatory framework which should be in place by early 2023.

In addition, Europe has recently communicated a proposal for a directive on the certification of negative emissions. This proposal should allow biochar, a co-product of our sustainable biomass thermolysis process, to benefit from a regulatory environment at the European level that will help accelerate the ramp-up of Haffner Energy's business model.

Delay in the delivery of certain components impacting the recognition of the second Half-Year 2022/23 revenue using the percentage of completion method

Since June 2022, Haffner Energy has anticipated orders for components in order to guarantee reasonable lead times for its customers and to benefit from volume effects on contracts signed with its suppliers. In recent months, tensions in the supply chain and higher prices for raw materials and certain components have increased.

Despite these anticipations, Haffner Energy is penalized by the delay of certain suppliers, in particular the purification specialist, Xebec Adsorption, which has been placed under the Canadian Creditor Protection Regime (CCAA) since September 29, 2022.

These supply difficulties, combined with the wait-and-see attitude of customers with regards to the release of government funding, impact Haffner Energy’s revenue target by March 31, 2023.

Medium-term outlook reinforced by the climate emergency, soaring energy prices and the geopolitical context

The Company continues to fully benefit from the strong structural trends, supporting the deployment of its technology, accelerated recently by the strategic challenges of; energy independence in Europe and decarbonization in the face of soaring electricity and natural gas prices. The war in Ukraine, which began a few days after the company's IPO, has profoundly changed the energy ecosystem.
This evolution of the geopolitical context strongly improves Haffner Energy's business model with:

- The **extension of the addressable market of syngas** (SYNOCA® solution). Haffner Energy's biomass thermolysis technology produces Hypergas®, a precursor of hydrogen, which is an advantageous replacement of natural gas for industry;
- The **improvement of the price competitiveness of HYNOCA® and SYNOCA® solutions** which are not related to the energy cost because of their low gas and/or electricity consumption;
- The **small increase in the price of biomass** and the **increase in the price of biochar co-product**;
- The **drastic shift in the United States**, where the Inflation Reduction Act is a major opportunity for Haffner Energy. Support for hydrogen production is tied to carbon footprint in life cycle analysis, which strongly favors carbon-negative solutions.

The multiplication of regulations and support for decarbonization and hydrogen, in the European Union and the United States, broadens Haffner Energy's addressable market to natural gas, methane and *SAF (Sustainable Aviation Fuel)* for aeronautics. The SYNOCA® process produces Hypergas®, ideal for connection to a Fischer Tropsch reactor.

Taking into account this favorable context, the Company is pursuing its development plan with a target of around 100 employees by mid-2023, compared with 60 at present and 21 at the time of the IPO, and confirms its revenue target of 250 million euros for the 2025/2026 financial year.

Post-Closing events

- **Setting the criterias for the variable compensation of executive directors and implementation of free share plans for employees**
  - On October 27, 2022, the Board of Directors, upon the recommendation of its Nominations and Remuneration Committee ("NRC"), determined the criterias for variable compensation applicable, as from the current fiscal year, to the Company's executive directors, Philippe Haffner, Chairman and Chief Executive Officer, and Marc Haffner, Executive Vice President, Technology. In accordance with the recommendations of the Middlenext Code, this variable compensation is based on four quantitative and qualitative performance criterias, both financial and non-financial, linked to the company's performance, its objectives and its long-term interests:
    - three financial criterias: order backlog, revenues and EBITDA;
    - an extra-financial criterion evaluated according to a set of CSR criteria (EthiFinance rating)
  - In addition, the Board of Directors, with a view to recognizing and associating employees with the Company's success, has decided, upon the recommendation of the CNR, to grant three new free share plans to its employees for a total of 322,809 shares, corresponding to 0.722% of the share capital. These plans are intended for employees part of the workforce as at the date of listing of the Company's shares on Euronext Growth, February 14, 2022, as well as for the Group's principal executives, excluding corporate officers. One of these three plans is subject to the same performance criteria as those applicable to the variable compensation of executive directors.
  - To cover these programs and as part of the implementation of its share buyback program authorized by the Combined General Meeting of September 8, 2022 (6th resolution), Haffner

Energy has given a new mandate to an investment services provider to purchase 100,000 shares, over a period beginning on December 20, 2022 and extending to December 20, 2023, within the limit set by the General Meeting.

About Haffner Energy

A listed and family company co-founded and co-managed by Marc and Philippe Haffner and a player in the energy transition for 30 years, Haffner Energy designs and provides technologies and services enabling its customers to produce green hydrogen, renewable gas replacing natural gas combined with carbon capture through the co-production of biochar through its HYNOCA® and SYNOCA® processes, by thermolysis of biomass. Those processes allow the production of hydrogen or renewable gas at highly competitive cost, is carbon negative of 12 kg (net) of CO_2 per kg of hydrogen produced, while depending very little on the electricity grid and the cost of electricity. This enables Haffner Energy to make a very rapid and agile contribution to the strategic challenges of Europe's energy independence combined with the acceleration of its decarbonization.

More detailed financial information on the half-yearly financial statements as of September 30, 2022 is available on the website www.haffner-energy.com.

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Lexicon:

(1) The **backlog** designates a project when at least one of the following situations occurs:
- a deposit, linked to a contract with a specific number of modules to be ordered or a defined total amount, has been paid by the customer; or
- a purchase agreement or purchase order has been signed between Haffner Energy and a customer; or
- there is a signed letter of intent or specification between Haffner Energy and a customer; or
- a project company, created specifically for a given project involving Company equipment, has been formed and the sponsors have made a financial commitment; or
- Haffner Energy is awarded a contract through a competitive bidding process.

(2) The **pipeline** refers to a business opportunity when at least one of the following occurs:
- a preliminary feasibility study for the installation of equipment is or has been completed; or
- a preliminary project budget or business plan or a complete commercial offer including specifications has been sent to the customer and Haffner Energy is awaiting a response; or
- a letter of intent is sent to Haffner Energy by the customer; or
- Haffner Energy has received an invitation to participate and is part of a tender process.

(3) **EBITDA** corresponds to operating income before depreciation, amortization, impairment losses net of reversals on fixed and current assets and before operating provisions net of reversals.