Haffner Energy

Press release

Game-changing

Decarbonization & Renewable Hydrogen & Gas Solutions

Haffner Energy reports half-year results to September 30, 2023

Vitry-le-François, France, December 14, 2023, 6:00 pm (CEST)

- **Strong growth in pipeline* confirming sales guidance of €250m by March 31, 2027, and breakeven EBITDA target as of March 31, 2026**
- **First semester results marked by the impact of ongoing discussions of the execution of the Carbonloop contracts, and the termination of the R-Hynoca contract, signed on December 13**
- **Savings and cash preservation plan to cope with a temporary drop in activity**
- **Setting up a new-generation industrial demonstrator on a Haffner Energy owned site in Marolles (Marne).**
- **Expanded commercial offering, with renewable gas (syngas) and sustainable aviation fuel (SAF) solutions, for a broader and more immediate market than renewable hydrogen.**

Haffner Energy publishes its half-year results for the period ending September 30, 2023, as approved on December 13, 2023, by the Company's Board of Directors.

Key figures ending September 30, 2023 (IFRS / K€)

In thousands of euros (K€)	09.30.22 (6 months)	09.30.23 (6 months)
Net sales		(343)
EBITDA	(4,204)	(5,477)
Operating result	(5,241)	(3,531)
Net income	(5,274)	(3,533)

In thousands of euros (K€)	03.31.23	09.30.23
Shareolders' equity	36,887	33,321
Cash available	35,477	21,007

Delays in the deployment of the hydrogen ecosystem are more than offset by the renewable gas segment

Hydrogen dedicated to regional ecosystems continues to face the "chicken and egg problem", hampering the financing and implementation of renewable hydrogen production units. Beyond this dilemma, recent inflation is driving up costs, requiring business plans to be revised and slowing hydrogen deployment. This situation is impacting the development of the HYNOCA® decentralized hydrogen production solution for capacities of up to 3 tonnes per day. However, this effect should be more than offset, both in terms of sales and EBITDA, thanks to Haffner Energy's new offer which targets the replacement of fossil natural gas within large industry by fully renewable gas.

Ongoing discussions with Carbonloop on contract execution

Haffner Energy and Carbonloop signed, for the year ending March 31, 2023, a contract for the production of renewable gas (September 30, 2022) with a capacity of 500 kw and two contracts for the supply of renewable hydrogen (March 31, 2023) with a capacity of 720 kg of hydrogen per day. The renewable gas production contract was intended to serve in particular as a demonstration, testing and training platform for Carbonloop. In the 1st half of 2023/2024, this contract continued to be executed while one of the two renewable hydrogen contracts started his own.

In September 2023, Haffner Energy and Carbonloop entered into discussions regarding the continuation of these contracts, which are still ongoing.

Due to the uncertainty about the outcome of these discussions, no revenue was retained at the end of the year. Haffner Energy considers that the order book for these three contracts, totalling €14.9 million by September 30, 2023, and affected by a loss at termination of €1.5 million by September 30, 2023, is at risk.

Termination of the R-Hynoca contracts on December 13, 2023, and installation of a new-generation industrial demonstrator on a Haffner Energy owned site in Marolles

On December 13, 2023, R-Hynoca and Haffner Energy mutually agreed to terminate the turnkey contract that was to have produced 720 kg of renewable hydrogen per day in Strasbourg by 2024. This termination was accompanied, as contractually agreed, by the repayment of the balance of K€ 461 of phase 1, booked in sales in previous years, and the cancellation of phase 2 in the amount of K€ 2,854 with a deficit of K€ 4,084.

In the context of this termination, Haffner Energy will set up a new-generation demonstrator at its Marolles site, 3 km from its head office. The purposes of this new demonstrator will be to qualify the biomasses of the Company's customers, to train its own staff and those of its customers, and to improve its feedback. Commissioning is scheduled for the end of the first quarter 2024, and its operation will be doubled in the first half of 2024 by that of the Strasbourg module. Most of the investment for the new demonstrator has already been made, and its installation at the Marolles site will begin in January 2024. The module set up in Strasbourg will be, for his part, shut down by June 30, 2024 at the latest, and dismantled from July 1, 2024.

The termination of the turnkey contract is accompanied by the termination of R-Hynoca shareholders' agreement and license agreement between R-Hynoca and Haffner Energy, and the withdrawal of Haffner Energy from the capital of R-Hynoca, in which it held a 15% stake. The commissions on sales under the above-mentioned agreement until 2039, are replaced by a lump-sum settlement by Haffner Energy to R-Hynoca of a lump sum of 3 million euros, spread over the period from signature to December 31, 2026. The cancellation of these commissions, whose cumulative amount should have been around 9M€ by 2027 based on the forecast sales growth trajectory, will significantly improve Haffner Energy's EBITDA as from the financial years ending March 31, 2025. This transaction will be recorded in the accounts for the second half of 2023/2024.

This reorientation is positive for the Company, which from an operational standpoint, will now be able to benefit from full control of a demonstrator on its own site, facilitating long endurance tests while reducing logistics costs.

Half-year results 2023/2024

Net sales of K€(343) include a K€118 contribution from Jacquier, Haffner Energy's industrial subcontractor acquired in mid-June 2023, as well as K€(461) in cancelled sales on the R-Hynoca contract.

Due to the implementation of an organization designed to support future growth and the increase in headcount over the period (88 people vs. 48 at 09/30/22), personnel expenses rose by 47% to K€ 2,996 by 09/30/2023 (vs. K€ 2 035 by 09/30/2022). Other external expenses rose from K€ 1,405 to K€ 1,869, reflecting the increase in subcontracting.

At the end of the 1st half of 2023/2024, EBITDA thus stood at K€ (5,477) versus K€ (4,204) the previous year.

At K€ (3,531), operating result for the 1st half of 2023/2024 includes the reversal of the K€ 4,084 loss on completion of the R-Hynoca contract and a K€ 1,532 provision for depreciation of the module installed in Strasbourg.

The net loss amounts to K€ (3,333), compared with K€ (5,274) by September 30, 2022.

By September 30, 2023, cash available stood at K€ 21,007, compared with K€ 35,477 by March 31, 2023, the consumption of K€ 14,470 over the period being mainly due to negative operating cash flow of €K (5 ,821), the build-up of inventories (K€ 5,765) and ongoing R&D investments (development costs of K€ 3,245).

Expanding the addressable market with a new offer for high-capacity renewable gas production and sustainable aviation fuel

Haffner Energy's disruptive biomass thermolysis technology and solutions have the potential to address accelerating decarbonization needs, creating new development opportunities to complement renewable hydrogen. During the first half of the year, the Company worked hard to develop new high capacity offer is based on its technology by increasing its capacity to capture the renewable gas market intended to replace fossil natural gas, and fossil jet-fuel with sustainable aviation fuel (SAF).

These new offers, in addition to renewable hydrogen solutions have thus redefined the commercial priorities to reach immediately addressable markets. These are detailed in the press releases published on October 3, 2023, and November 29, 2023. In Europe, the priority is given to SYNOCA® renewable gas offer, due to the economic urgency of many manufacturers to replace natural gas and to the context of energy independence and the pressure to decarbonize industry. In the United States, the focus is mainly on SAF through the SAFNOCA® offer and renewable hydrogen through the HYNOCA® offer due to increased market interest, easier access to biomass, and more incentive-based regulations for decarbonization.

Strong increase in pipeline to €488m at 11/29/23 (compared with €300m at 03/31/23)

As previously mentioned, the renewable hydrogen market is developing slower than anticipated, particularly at the time of the Company's IPO in February 2022 (prior to the conflict in Ukraine). This situation is delaying the conversion of the hydrogen pipeline into firm contracts. At the same time, Haffner Energy continues to receive new requests for proposals for the deployment of its HYNOCA® technology in Europe and seen growth in the United States, where 12 hydrogen projects are currently under discussion. At 11/29/2023, Hynoca®'s hydrogen projects pipeline stood at €276 million, compared with €256 million at 03/31/2023.

In the renewable gas market, Haffner Energy's new competitive high-capacity offer to address the immediate market for the replacement of fossil natural gas in European industry has met with very strong interest from manufacturers since its commercial launch on 10/03/2023, and the Company is now facing extremely rapid growth in demands. As a result, the SYNOCA® projects pipeline has grown considerably, reaching €212 million at 11/29/2023, compared with €43 million at 03/31/2023.

Finally, with regards to sustainable aviation fuel, Haffner Energy has received numerous expressions of interest from the industry's leading players for SAFNOCA®, its integrated solution paving the way for the mass production of competitive sustainable aviation fuel. Several initial MOUs (partnership agreements) are currently under discussion for signature in the near future in Europe and the United States, with the aim of mass-producing SAF from 2026 onwards.

In total, Haffner Energy's pipeline* stood at €488 million by 11/29/23, compared with €300 million by 03/31/23. In view of the numerous requests for bids received for SYNOCA® renewable gas production equipment, this pipeline should continue to develop favorably over the next few months.

Perspectives

In response to a temporary drop in business, following ongoing discussions with Carbonloop and the termination of the R-Hynoca contract, Haffner Energy has decided to implement a short-term savings plan. The plan combines tighter cost control and a reduction in the number of external service providers, as well as non-replacement departures and targeted short-time working measures affecting around 20% of the workforce. The Company is also implementing cash preservation measures, in particular by seeking out additional sources of financing.

As mentioned in the notes to the financial statements, the Company's action plan safeguards the future of the Company, whose strong pipeline growth enables to confirm its ambitions and financial outlook of €250 million in sales by March 31, 2027. The competitiveness of the gas produced from the SYNOCA® solution enables Haffner Energy to anticipate the right level of gross margin for a breakeven EBITDA target as early as the financial year ending 03/31/2026.

Philippe Haffner, Chairman and Chief Executive Officer of Haffner Energy said: *"We are entering a new dynamic, thanks to the evolution of our offer with a range of greater power solutions, which allows us to address new markets with strong development prospects in the very short term with renewable gas, and in the medium term with sustainable aviation fuel. These new markets complement the renewable hydrogen market. We put in place human, technical and financial resources to ensure sustainable growth."*

More detailed financial information on the half-year financial statements by 30 September 2023 is available on the **www.haffner-energy.com website.**

At the date of this press release, the audit procedures have been completed and the statutory auditors' report is in the process of being issued.

About Haffner Energy

Haffner Energy, a listed family company co-founded and co-directed by Marc and Philippe Haffner, has been a key player in the transition towards sustainable energy for 30 years. It designs and supplies innovative decarbonization solutions for mobility, industry and local authorities. Its HYNOCA®, SYNOCA® and SAFNOCA® solutions, based on biomass thermolysis, a technology protected by 15 patent families, enable its customers to produce locally renewable hydrogen and gas, as well as other green energies such as Sustainable Aviation Fuel, while capturing carbon from the atmosphere through the co-production of biochar.

Haffner Energy is listed on Euronext Growth (ISIN code: FR0014007ND6 – Ticker: ALHAF).

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Lexicon:

*Haffner Energy previously reported on an **order book**, backlog and **pipeline**. The Company abandons the notion of a backlog. As of 31/03/2023, the backlog was €65 million, including €17.5 million in order backlog, and the pipeline amounted to €252 million. In the new definition, the backlog is unchanged at €17.5 million and the backlog excluding the backlog (65-17.5=€47.5 million) is included in the pipeline, which therefore amounts to €300 million (€252 + €47.5 million).

The pipeline now includes the following criteria: preliminary feasibility study completed / budget offer or preliminary business plan / letter of intent sent or signed / participation in tender / deposit paid by the client / creation of a company with a specific project including equipment from the Company.