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14 November 2024

HydrogenOne Capital Growth plc
("HydrogenOne" or the "Company")

Portfolio Update - HH2E

HydrogenOne, the first London-listed fund investing in clean hydrogen for a positive environmental impact, updates on HH2E AG ("HH2E"), a German green hydrogen project developer.

Following the Company's announcement on 8 November 2024, the local court of Berlin-Charlottenburg has now approved the applications of HH2E and HH2E Werk Lubmin GmbH for self-administration proceedings. HH2E has also appointed restructuring experts to assist with the self-administration process and to seek a buyer for the business.

HydrogenOne has invested a total of £7 million in HH2E, valued in the 30 September 2024 unaudited results at £11 million of NAV (8.4 pence per share, 8% of NAV). HydrogenOne has an 11% shareholding in HH2E, with the remainder held by funds managed by Foresight Group ("Foresight"), the founders and HH2E employees.

HH2E had been following a strategy of investing in long lead-time equipment to prepare for the Final Investment Decision ("FID") of its first project, at Lubmin, ahead of securing bankable offtake agreement for the hydrogen production, and at the same time seeking additional equity funding and bank debt for the construction of the project. To this end, a total of c. £59 million of shareholder loans had been provided to HH2E, including c. £1 million from HydrogenOne.

On 7 November 2024, following a prolonged external funding process without securing additional investors, an investment proposal to provide further funding for HH2E was not approved by Foresight funds, a development not expected by HydrogenOne, prompting the Company's announcement on 8 November 2024. No recovery of the Company's investment is anticipated through the insolvency process.

A number of individual hydrogen production projects have seen delays and cancellations in 2024, against the backdrop of evolving regulations and a challenging funding environment. However, the board of directors of the Company believes that the investment fundamentals for the hydrogen sector remain positive. At the end of 2023, 1.4GW of green hydrogen was in production worldwide. The International Energy Agency recently updated expectations for green hydrogen capacity worldwide to increase to 5GW this year, and that a further 20GW of green hydrogen production has now reached Final Investment Decision ("FID").

In the UK, the new Labour government has committed over £6 billion to fund hydrogen and related projects in the recent Budget. In Germany, the Federal Network Agency recently announced approval of a 9,040-kilometer core hydrogen network, which is set to become Europe's largest hydrogen pipeline system with a planned investment of €19 billion, targeting completion by 2032.

HydrogenOne has a portfolio comprising meaningful investments in six high-quality companies that cover an array of supply chain and applications across the hydrogen industry. These include electrolysis, fuel cell and transportation equipment and clean flight innovation. These companies delivered an aggregate £75 million in total revenue in the 12 months to 30 September 2024, an increase of 19% compared to the 12 months to 30 September 2023. Order books in these businesses reflect the on-going growth of the clean hydrogen industry.

Following the recently announced successful exit from Gen2 Energy, the Company expects to have sufficient funding to meet its investment commitments and current working capital requirements for at least 12 months. Four of the six portfolio companies, or 71% of the NAV, have attracted external equity funding in 2024, totalling £237 million. In addition, portfolio companies have attracted £257 million of non-dilutive grant funding and £96 million of committed debt in 2024. All of these factors support the Company's valuation.

- Ends -

Notes

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About HydrogenOne:

HydrogenOne is the first London-listed hydrogen fund investing in clean hydrogen for a positive environmental impact. The Company was launched in 2021 with an investment objective to deliver an attractive level of capital growth by investing in a diversified portfolio of hydrogen and complementary hydrogen focussed assets. INEOS Energy is a strategic investor in HydrogenOne. The Company is listed on the London Stock Exchange's main market (ticker code: HGEN). The Company is an Article 9 climate impact fund with an ESG policy integrated in investment decisions and asset monitoring.

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