

Letter to Shareholders



Matthieu Guesné

Founder & Chief
Executive Officer
of Lhyfe

Dear Madam, Sir,

Dear Shareholder,

You have maybe noticed, as I have, that the value of the Lhyfe stock has experienced significant turbulence since the summer, accelerating since Monday morning.

While the stock market life of any security is characterized by bullish and bearish phases, the fluctuations of the Lhyfe share do not seem to reflect our industrial and financial potential. To address your legitimate concerns, I would like to share the following points:

- **For several months, the market valuation of listed companies** has been heavily dependent on macroeconomic indicators, versus the underlying industrial fundamentals of the company. This situation is very regrettable, as for Lhyfe, **our industrial potential is confirmed month after month**: we produce hydrogen, we are signing offtake contracts with and delivering green hydrogen to an increasing number of new clients, we are currently building more than 7 production sites across Europe, and we possess a unique offshore production technology in the world.
- **The current stock market context is not favorable to small & mid-sized companies** (Lhyfe is part of the CAC Mid & Small index). We have observed a significant outflow of funds invested in listed small & mid-sized companies in France for several quarters, which may have driven some fund managers to sell all or part of their holdings in order to meet these redemptions from their subscribers.
- **Given the low liquidity of Lhyfe's stock** (approximately 12,000 shares traded daily on average), fluctuations in the stock price tend to be exaggerated.
- Furthermore, **the use of «stop loss» orders** has contributed to further amplify the decline in the stock price through their cascading effect.

Finally, since Monday morning, the stock has been affected by a sector downgrading note published by **a financial analyst** who significantly lowered his price targets on hydrogen stocks, including Lhyfe. He particularly doubts decentralized green hydrogen production projects like the ones that Lhyfe is deploying in the short and medium term.

Of course, we strongly disagree with this position, which contradicts our vision and experience:

- The industrial approach to producing green hydrogen must be gradual, developing increasingly larger units that can eventually reach several hundred megawatts, in pace with maturing technology.
- The sites we are currently deploying serve small industry and mobility, which the European Union and each member state have decided to massively support, enabling cost-competitive decarbonization.

- It seems illusory to us to believe that member states will ensure their energy sovereignty solely by importing green hydrogen from other countries. Local production is essential, as soon as possible¹.
- Decarbonization must start now: Lhyfe is at the forefront, while also contributing with its partners to the growth of the industry.

In this challenging context, we continue to plan for the long term and remain confident. Why? My answer, Lhyfe's answer, is simple:

- We rely on **a team of over 190 highly dedicated and talented collaborators.**
- We have nearly **€130 million in cash and cash equivalents as of the end of June 2023.**
- Our **portfolio** consists of over 100 projects spread across 12 countries in Europe.
- **More and more clients** trust us day by day.
- **We deliver and will continue to deliver:** today, we are the largest industrial player in France producing, selling, and delivering green and renewable hydrogen.
- Our installed production capacity by the end of 2023 is expected to be **increased to over 4 tons of green and renewable hydrogen per day**, a figure multiplied by 14 compared to the end of 2022.
- **Our 2024 revenue** is expected to keep growing at a strong pace, measured in multiples rather than percentages.

This sustained activity should result in the coming quarters in:

- regular announcements of the signing of new client contracts;
- continued increase of our production capacity in 2024 and in the following years;
- management and allocation of our resources to the most profitable projects, which will be announced as they unfold.

Whether the winds are against us or in our favor, we will continue to deliver, all for the same goal: **decarbonizing as fast as possible!**

Our promise remains the same as when we went public. We hold and will continue to hold a medium-term objective in 2026 and a long-term objective in 2030. Lhyfe is a growth company, and to achieve these objectives, we are strengthening our assets.

All the teams join me in **thanking you for your trust and commitment during this tumultuous period.** Thanks to you, we can continue to build a better world and move forward with the same determination.

***"Win the fight"* is and remains our slogan.**

Matthieu Guesné
CEO

¹The European Union aims for a production of 10 million tons of green hydrogen in Europe by 2030 (RepowerEU plan).