Annual report 2022

Accelerating the global energy transition with green hydrogen

Green Hydrogen Systems A/S
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GREEN HYDROGEN SYSTEMS

We make it possible to transform water into green energy

How our products transform water into green energy

Green hydrogen is produced through water electrolysis using renewable energy to split water into hydrogen and oxygen with no CO2 emission in the process. Additionally, water electrolysis results in a higher purity of hydrogen compared to other hydrogen production methods such as reforming and gasification, which means that green hydrogen is generally widely applicable in various end-use sectors i.e. transportation, shipping, industrial processes and household heating.

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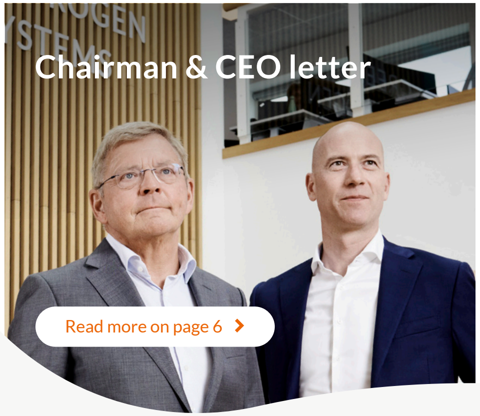

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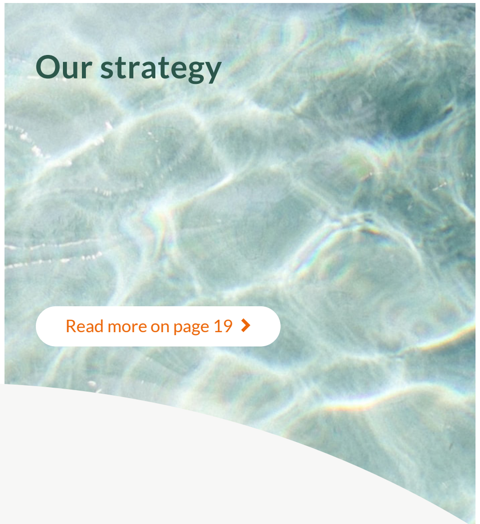

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CEO and Chairman letter

A year with strategy execution to scale product offering, manufacturing capacity and organisational capabilities

In 2022 we continued the execution of our strategy to scale our product offering, manufacturing capacity and organisational capability alongside a market potential for green hydrogen that grew as ever before. Unexpectedly, however, we identified certain function and component issues with our product that needed correction and validation, which we, during the year, succeeded in achieving. Towards the end of the year, we recognised revenue from the first customer deliveries.

The product corrections required intensive efforts across our team and provided us with valuable learnings leading to optimisation of our current A-Series product offering and accelerated the product maturity of the X-Series prototype that is currently in its final assembly phase.

We reached a revenue of DKK 10.4m, within the updated guidance range provided in August 2022 but well below the initial revenue guidance.

In Q4 2022, we also inaugurated our expanded production facility in Kolding, Denmark. An expansion was initiated in the summer of 2021, adding 13,500 m2 of new production and administrative facilities to our current premises to enable an annual electrolyser manufacturing capacity of 400 MW when fully equipped. The facility expansion has been executed ahead of schedule, and new production lines for the A-Series and X-Series will gradually ramp up during 2023 and 2024. To this end, we invested DKK 335m in innovative machinery and equipment in 2022.

The scaling of our production capacity and technology is important to maintain our position as a leading supplier of hydrogen electrolysers. We have an ambition to be able to produce and deliver gigawatt capacity within a few years which entails that further capacity and production automation needs to be planned before the end of next year.

At the Board of Directors, new profiles and competencies were added to support the company and its executive management in the strategic transformation from its R&D-focused origin to rapidly becoming a serial producer of its leading pressurised alkaline electrolysers.

Christian Clausen, former CEO at Nordea and current Chairman and Senior Advisor for Blackrock Nordics, was elected the new Chairman of the Board of Directors. Anders Vedel, Chief Science Advisor and former CTO at Vestas Wind Systems, Dr Armin Schnettler, former Executive Vice President at Siemens Energy, and Karen Dyrskjøt Boesen, CFO at Sonnedix entered the Board of Directors. At the same time, our former chairman Thyge Boserup and Karen-Marie Katholm decided to step down from the Board of Directors. In connection with the changes to the Board of Directors, a new Manufacturing & Technology Committee was established to support the technology development and industrialisation of the production.

At the executive level, Ole Vesterbæk joined our company as Chief Financial Officer, bringing a vast experience from various Danish companies with international operations. Additionally, Stephan Kim joined as the new Chief Technology Officer at the beginning of 2023, bringing in science, technology, and industrial experience from various international industry groups.

Organisational capability remains key for us to achieve our strategic targets, and supported by our strong purpose and employer profile, we attracted 125 new employees in 2022, mainly within R&D, manufacturing, and sales.

The war in Ukraine has led to unprecedented disruptions of what was previously deemed stable and reliable supply chains and energy resources supporting European industries. The new realities revealed ingrained dependencies in the European supply of energy, raw materials, and critical components needed for an uninterrupted industrial production and operation.

Some of these challenges were overcome through extraordinary and temporary policy measures to curb the European energy demand and import. Other challenges will linger for longer.

The new realities dawning on Europe and all Europeans have led to new political priorities at the highest levels. European energy consumers and industries are now top of mind as Europe seeks to reduce dependency on fossil energy imports through strategic initiatives and actions.

Some of these European political actions were previously promoted and prioritised as the European Green Deal on the grounds of climate concerns and carbon emission reductions. Such sustainable targets are now further supported by strategic considerations related to ensuring the security of energy supply and, thereby, domestic industry capabilities, deferring import dependencies, and building resilience in supply chains.

The same set of priorities was the driving force in the US Inflation Reduction Act (IRA). A much-awaited US bill that puts the world's second-largest energy consumer at the global forefront of national support for green hydrogen and renewable energy.

The IRA and the potential countermeasures across the globe will have rippling effects on the race to attract climate-related investments, induce industry development and boost economic activity.

The macro developments in 2022 led to an even stronger political, industry and public sentiment on the prospects for green hydrogen, which is the energy carrier most capable of converting renewable power to green fuels that can directly substitute fossil fuels and products in the future.

Combining the outlook for green hydrogen with our own learnings as a Danish manufacturer of reliable, sustainable and price competitive green hydrogen electrolysers brings us to a significantly strengthened position compared to the same time last year.

Sebastian Koks Andreassen,
CEO

Christian Clausen,
Chairman

"We have during the year succeeded in achieving needed correction and validation of the A-Series, and towards the end of the year, we recognised revenue from the first customer deliveries"

At a glance

Green Hydrogen Systems ended 2022 with deliveries of the A90 electrolyser module to two customers in Norway and Sweden

With these first deliveries, the core functionalities of the A90 electrolysers have been confirmed which enables continued deliveries and order intake in 2023 and onwards. Green Hydrogen Systems has invested in organisational capabilities, research and product development in 2022 and will continue to do so in order to be positioned to take a share of the future increasing demand for electrolysis capacity.

Non-Financial Highlights

276
Employees

31%
order backlog growth and customers in 11 countries

+400
MW production capacity

Financial Highlights

10
Revenue
(DKK million)

-10
Gross Profit
(DKK million)

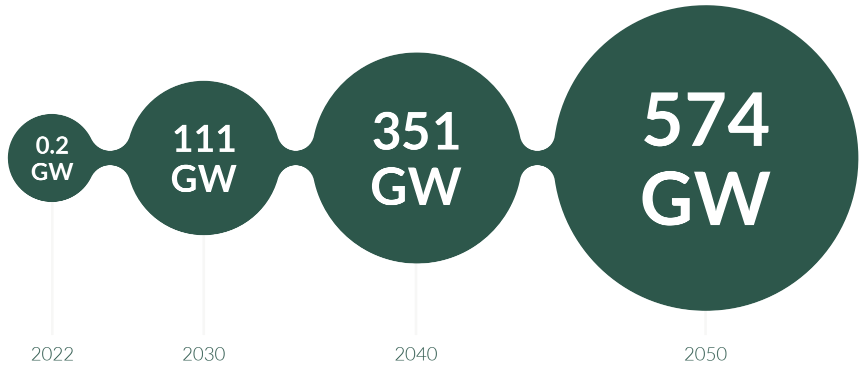
-249
EBITDA
(DKK million)

-283
EBIT
(DKK million)

335
million invested in product development and production capacity expansion
(DKK million)

Growing demand for electrolyser capacity

The expected growing demand for green hydrogen will require a nearly exponential expansion in electrolyser production capacity towards 2050. From a modest electrolysis capacity in 2022 at approximately 0.2 GW external studies suggest an increase to 111 GW of electrolyser capacity in 2030 and further to 574 GW in 2050 to supply the expected EU demand for green hydrogen.



Source: DNV – Hydrogen Forecast to 2050 (2022)

Financial review 2022

Revenue from customer contracts of DKK 10 million and an EBITDA of -249 million. The firm order backlog grew by 31% to 13 MW of electrolyser capacity.

Revenue

In 2022, total income was DKK 10.4 million with DKK 9.7 million from product sales and DKK 0.7 million from other customer activities. Revenue from customer contracts increased by DKK 5.3 million compared to 2021 due to the delivery and revenue recognition of the first A90 electrolyser units to customers in Norway and Sweden. Revenue from other activities consist of service revenue related to the Mk0 A-Series electrolysers installed at customer sites in Denmark and other European countries.

Gross profit

Gross profit was DKK -10 million compared to -17 million in 2021. Gross profit was impacted negatively by liquidated damages, performance guarantees and other provisions related to delayed projects in the order backlog. The underlying profitability of deliveries in the backlog remains healthy.

EBITDA

In 2022, EBITDA was DKK -249 million compared to DKK -148 million in 2021. The negative development in EBITDA was a direct consequence of continued investments throughout the organisation with a focus on the finalisation of the A-Series as well as the development and prototype build of the X-Series. In addition to the R&D efforts organisational capabilities have been strengthened within sales, health & safety and production excellence which all are reflected in the number of employees that have increased from 188 to 276 in the last 12 months.

EBIT

In 2022, depreciation and amortisation amounted to DKK 34 million compared to DKK 15 million in 2021. The increase is mainly due to the amortisations of the A-Series technology and the depreciation of production equipment and facilities. The increase in depreciation and amortisation combined with the development in EBITDA resulted in an EBIT of DKK -283 million in 2021 compared to DKK -163 million in 2021.

Net financials and net profit

In 2022, net financials were DKK -4.8 million compared to DKK -335 million in 2021. Expenses in 2022 were mainly related to interest expenses whereas the 2021 net financials were related to a non-cash fair value adjustment of a convertible loan facility entered with A. P. Møller Holding, Nordic Alpha Partners and Norlys.

Net profit was DKK -282 million in 2022 compared to DKK -493 million in 2021.

Profil & loss

DKK million	2022	2021	Change
Revenue from customer contracts	10	5	5
Gross profit	(10)	(17)	7
Gross profit margin	(96%)	(329%)	233pp
EBITDA	(249)	(148)	(101)
Operation profit, EBIT	(283)	(163)	(120)
Net financials	(5)	(335)	330
Tax	6	6	0
Net profit for the period	(282)	(493)	211

Balance sheet

As of 31 December 2022, total assets were DKK 1,550 million compared to DKK 1,295 million as of 31 December 2021. Compared to 2021 intangible assets increased by DKK 115 million due to development activities mainly related to the A-Series and X-Series. Tangible assets increased by DKK 152 million mainly due to the production capacity expansion to an initial 400 MW name-plate capacity. Furthermore, inventories have increased by DKK 97 million to secure parts and materials for assembly and delivery of the current backlog.

Equity decreased by DKK 310 million compared to 31 December 2021 mainly due to the net profit of DKK -282 million.

Cash flow

In 2022, free cash flow excluding financial assets was DKK -579 million compared to DKK -348 million in 2021. The negative free cash flow development of DKK 231 million compared to 2021 was mainly due to negative development in cash flow from operations of DKK 128 million whereof DKK 57 million was related to changes in net working capital. Furthermore, cash flow from investing activities excluding financial assets was DKK -296 compared to DKK -192 in 2021. The negative development of DKK 102 million was mainly related to the development activities of the A-Series and the X-Series.

At the end of 2022, cash and cash equivalents amounted to DKK 340 million including financial assets. As part of Green Hydrogen Systems' risk policy, a placement of around DKK 750 million was made in triple-A-rated Danish mortgage bonds. The placement is recognised as a financial asset in the balance sheet and stated as an investing activity in the cash flow statement. The financial assets are utilized from repurchase agreements (repo) and are recognised as borrowings.

Order backlog

At the end of 2022, the order backlog had accumulated to 13 MW based on customer orders from Europe, Australia and South America. Compared to the end of 2021, the backlog increased by 31%.

The total backlog of 13 MW is targeted for delivery in 2023. When delivered, the electrolysers will be applied across different end-use applications such as ammonia production and other Power-to-X installations, transportation for trucks, taxis and planes, and heating for private homes. In addition, Green Hydrogen Systems entered a 7 MW order in January 2023 which is not part of the 13 MW backlog end of 2022. The 7 MW order is targeted for delivery in 2023 and 2024.

Income statement and investments

DKK million	2022 realised	2022 outlook
Revenue	10	1 to 19
Gross profit	-10	-20 to -15
EBITDA	-249	-255 to -235
EBIT	-283	-290 to -270
CAPEX	335*	310 to 350

* Including raw materials purchased for prototypes and work in progress related to the assembly of prototypes.

Key figures

Seen over a five-year period, the development of the Company is described by the following financial highlights:

DKK '000	2022	2021	2020	2019 (Pro forma*)	2018 (Pro forma*)
Customer orders					
Order backlog (MW)	13.2	9.9	4.9	n.a.	n.a.
Profit/loss					
Revenue	10,422	5,172	9,433	14,196	4,179
Operating profit, EBIT	(282,967)	(163,333)	(72,689)	(12,027)	(4,142)
Net financials	(4,849)	(335,038)	(2,859)	(83)	(16)
Net profit for the year	(282,316)	(492,871)	(73,241)	(10,736)	(2,762)
Balance sheet					
Balance sheet total	1.549,982	1.295.001	232,898	40,909	14,494
Equity	862,056	1.171.842	(4,077)	20,534	137
Cash flows					
Operating activities	(283,869)	(155,394)	(25,172)	(21,682)	(1,302)
Investing activities	(377,290)	(886,771)	(31,625)	(1,412)	(3,821)
Hereof investments in property, plant and equipment	(167,049)	(145,417)	(20,647)	(106)	(147)
Financing activities	489,574	1,153,136	203,338	31,907	4,816
Net cash flow for the year	(171,584)	110,971	146,541	8,813	(307)
Employees					
Average number of employees	242	110	37	11	7
Financial key ratios					
Solvency ratio (%)	56%	90%	(2)%	50%	1%
Return on invested capital (%)	(20)%	(65)%	(53)%	(39)%	(26)%
Return on equity (%)	(28)%	(84)%	(890)%	(104)%	(520)%

DKK '000	2022	2021	2020	2019 (Pro forma*)	2018 (Pro forma*)
Other performance measures					
Gross profit	(10,020)	(17,017)	(4,022)	222	678
Gross profit margin	(96)%	(329)%	(43)%	2%	16%
EBITDA	(249,174)	(148,450)	(69,617)	(11,711)	(3,864)
EBITDA margin	(2391)%	(2886)%	(738)%	(82)%	(91)%
Intangible CAPEX	(128,573)	(46,889)	(11,490)	(1,745)	(3,756)
Tangible CAPEX	(167,049)	(145,417)	(20,647)	(106)	(147)
Total CAPEX	(295,622)	(192,306)	(32,137)	(1,851)	(3,904)
Net working capital	(43,694)	10,009	(22,945)	7,012	(4,399)
Free cash flow	(661,158)	(1,042,165)	(56,797)	(23,094)	(5,123)
Cash and cash equivalent**	340,382	958,418	155,953	9,412	n.a.
FTE end of period	276	188	55	18	9

The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

* The company implemented IFRS on 1 January 2020.
** Including financial assets (listed bonds) that easily can be converted into cash with a repurchase agreement (repo) less related borrowings.

Outlook

In 2023, Green Hydrogen Systems expects to deliver revenue of DKK 120 to 160 million with an EBITDA of DKK -240 to -210 million.

Guidance 2023

Following successful acceptance tests and deliveries of A90 electrolyser units in December 2022, further delivery in the first two months of 2023 as well as continued order backlog increase, Green Hydrogen Systems maintains the guidance for 2023 as announced 23 January 2023 (company announcement 02/2023).

In 2023 Green Hydrogen Systems will continue its efforts to scale its business with a focus on industrialisation of its production facilities to enable scalable serial production of the A-Series and later the X-Series. Green Hydrogen Systems continues to invest in R&D activities with a main focus on the X-Series prototype, general product efficiency measures and next generation electrolyser platforms as technological competitiveness is a key element in securing the Company's future market position.

In 2023, revenue is expected in the range of DKK 120 to 160 million. The revenue range is substantiated by the current order backlog with a potential increase from in-for-out orders that may be signed and revenue recognised in 2023.. Due to costs related to delivery delays, the recognised revenue will be reduced by DKK 15 million compared to the initial order value.

EBITDA for 2023 is expected in the range of DKK -240 to -210 million. Gross profit will increase and investments in the sales organisation and in marketing efforts will continue as well as focus on R&D activities related to the X-Series product platform.

Investments are expected in the range of DKK 270 to 300 million. The investments relate to production scale-up, X-Series production line, X-Series prototype build, test facilities as well as R&D activities focusing on the X-Series and numerous initiatives to further increase the system performance of the A-Series and X-Series product platforms.

The revenue guidance range reflects the uncertainty of the exact timing of the electrolysers passing revenue recognition criteria within the 2023 calendar year. Furthermore, factory acceptance test (FAT), the exact delivery, site acceptance test (SAT), revenue recognition and EBITDA may be negatively impacted by e.g. the current supply chain disruptions, increasing component and raw material costs, general inflation, delays in product assembly and pandemics.

The level of investments peaked in 2021 and 2022 due to expansion of the production facilities, the concurrent acquisition of the land plot and facilities and the advanced investments in the development of the A-Series and X-Series electrolyser platforms. In 2023-2025, the organisational scaling is expected to stabilise.

Medium-term targets

The Company targets delivery and revenue recognition of around 150 MW electrolysis capacity in 2025 creating visibility to revenue of around DKK 1,000 million. The targets will among others be based on assumptions related to utilisation of the production capacity.

Update on potential capital increase

As communicated in the company announcement 02/2023 Green Hydrogen Systems targets a capital increase during the first half of 2023.

The capital raise is targeting gross proceeds of up to DKK 650 million and is contemplated to be a rights issue with pre-emptive rights for the existing shareholders. A prospectus is expected to be published in the second quarter of 2023. In connection with the Annual General Meeting scheduled on April 18 2023, Green Hydrogen Systems' Board of Directors plans to seek authorisation to increase the share capital with pre-emptive rights for the existing shareholders.

The Company is in dialogue with several of its current larger shareholders as well as potential new shareholders regarding such potential capital increase.

Guidance 2023

Revenue	DKK 120 to 160 million
EBITDA	DKK -240 to -210 million
CAPEX	DKK 270 to 300 million

Our business

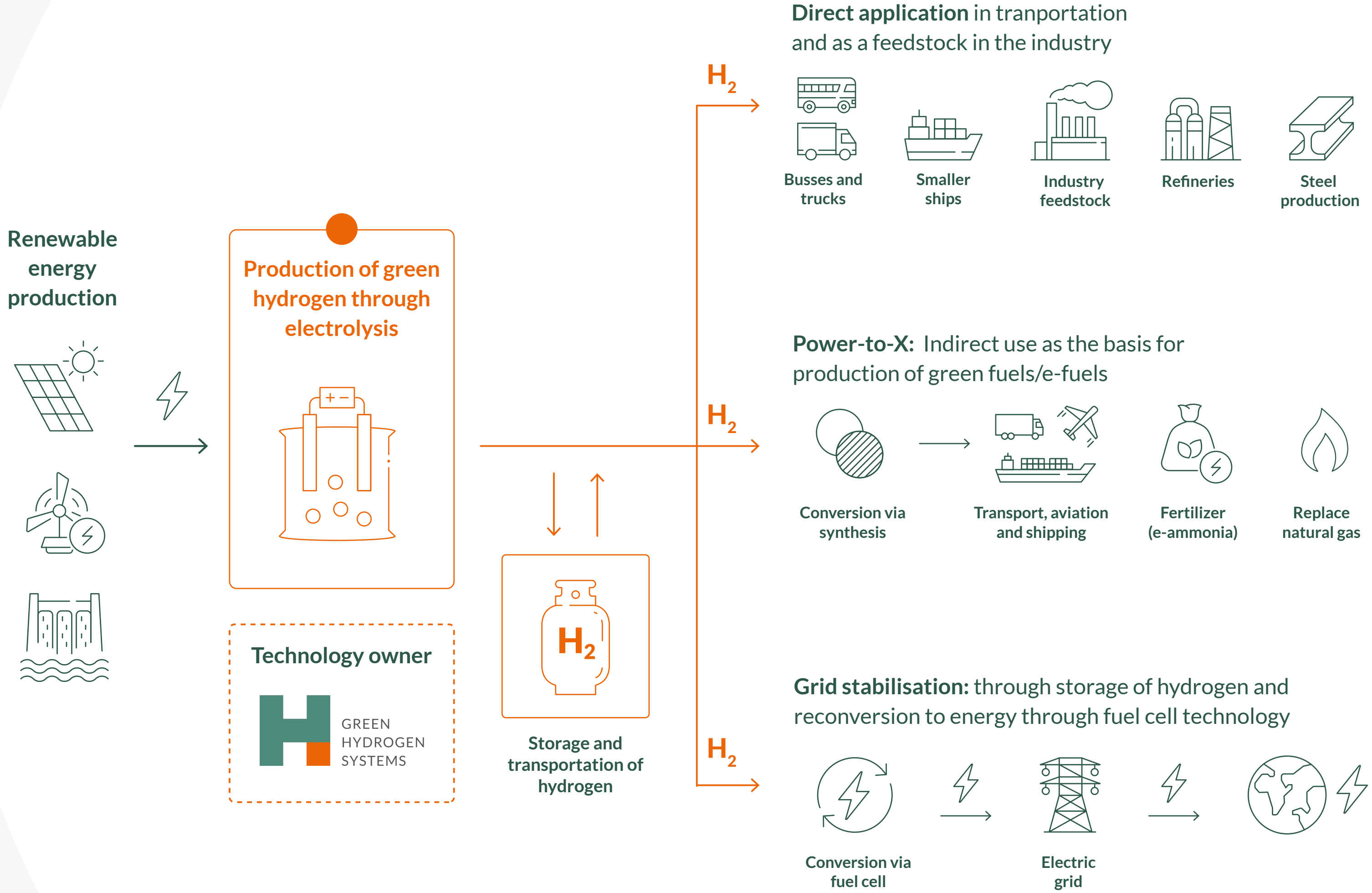
In this section

Green Hydrogen Systems' role in the transition to a sustainable global energy system

The potential role of green hydrogen in the future energy system

Green hydrogen has the capacity to play a central role at the heart of a future sustainable energy system covering all parts of societies globally. Achieving this position will further be central staying below the two-degree global warming target limit and achieving a zero-emission economy. As a result, the demand for green hydrogen is surging, requiring a significant scale-up of electrolysis capacity for use in applications such as:

1. Direct applications for decarbonization of industry feedstock and heavy-duty and long-range transportation.
2. Indirect applications through the manufacture of e-fuels, e-ammonia and low-carbon gas through synthesis (Power-to-X) for use in transportation, industry and building heat.
3. Energy storage and grid stabilization, enabling sufficient scaling of renewable energy to replace fossil fuels, by creating the necessary buffer to increase the resilience of a renewables-based energy system. Further, hydrogen can enable efficient energy distribution across sectors of the economy and across geographical regions.



Macro perspective – a hydrogen push for the Future

A long list of developments throughout 2022 boosted investor confidence and market prospects of the long-term growth trajectory of green hydrogen. Some of the events unrolled were patiently anticipated but surprising in scale, while others of the year's unfoldings were an unpleasant reminder of the need for reliable access to affordable energy resources to ensure continued domestic growth and prosperity, particularly in Europe.

For decades the overarching theme in international trade has been globalisation. Resources and goods should be produced anywhere in the world based on comparative advantages, leading to the interdependence of complex global trade flows and supply chains.

In 2022 global industries and markets driven supply chains were challenged by new political priorities. Russia's invasion of Ukraine in late February 2022 significantly altered the seamless flow of metals and energy from exporters to importers. Especially the raw materials import-dependent European markets and industries, sanctioning and shunning such shipments from their largest suppliers, saw the drawbacks of those Russian dependencies.

Sharp price spikes in oil, natural gas and electricity amid actual threats of supply disruption forced swift reactions from policymakers. Urgent measures have fed the ground for a tidal turn away from global supply chain reliance and towards an envisaged increase in domestic production of critical components and resources needed to safeguard national industries.

In this benign environment for the revival of domestic industrial policies, numerous new national strategies for green hydrogen were presented Including new hydrogen strategies in Denmark, China, and India. The European RePowerEU plan and the national strategies were supplemented by regional targets for hydrogen production and electrolyser capacity. Two such significant political declarations related to the North Sea and the Baltic Sea were presented in May 2022 and in August 2022 cementing Denmark's position as a prime location for converting abundant renewable energy to green fuels for the future.

Across the Atlantic, the US took unprecedented strides in their commitment to reducing US climate emissions and turning away from fossil fuels and towards green fuels. The Inflation Reduction Act provides tax incentives at a scale that makes US green fuels and green ammonia, produced from domestic renewable energy, among the cheapest availables alternative to global fossil-infused energy and energy products.

The turn of events and the sharp shift in the global bearings for the center of the most favorable conditions for climate investments surprised even the most committed climate-conscious politicians. We expect that this will continue well into 2023 to have rippling effects on national and regional policy proposals across the globe.

The near-term estimates for 2025 remain at 6GW for European electrolyser capacity needed to meet green hydrogen demand and is driven by an understanding of the continued short-term capacity issues experienced by ramping-up electrolyser manufacturing as well as a continued need for the development of additional renewable energy sources.

The 2022 medium-term estimate for the needed European electrolyser capacity is 110GW, a near threefold increase from 40GW in 2021. The 2022 long-term 2050 estimates reach 575GW, up from 225GW estimated in 2021.

Combining the full range of all green hydrogen-related events sums to a significant increase in the expectations for especially European estimates of the hydrogen markets and the need for electrolyser capacity compared to estimates provided in 2021.

A product portfolio and production capacity for the future

Based on a decade of research, Green Hydrogen Systems has developed a competitive electrolysis platform

1 Competitive technology to work with renewable energy sources

Green Hydrogen Systems has based its technology on pressurized alkaline electrolysis, which the Company believes is well-positioned to be a competitive technology in the future electrolyser market. The Company's technology has several competitive propositions including flexibility, reliability and efficiency. The flexibility stemming from the capability to switch dynamically between load rates allows the technology to be highly compatible with renewable and variable energy sources required when producing green hydrogen.

2 Modular and versatile solutions suited for serial production

Green Hydrogen Systems' standardised electrolysers are based on a modular design, and each module can be used as a stand-alone electrolyser. Combined in clusters, the electrolysers can be used in larger multi-MW applications like a cluster of wind turbines. Given product standardization and an industrial approach to manufacturing, the products are further suited for a serial production which enhances manufacturing scalability, efficiency and predictability as well as quality assurance and work safety procedures. All electrolyser units are pre-tested at the factory in Kolding before being shipped to customers, which allows for rapid deployment at customer sites.

3 Significant potential to reduce the cost of hydrogen

Green Hydrogen Systems estimates that its levelised cost of hydrogen (LCOH) starting point is competitive across technology regimes and competitors. The Company has a clear cost-out plan in place which includes initiatives to reduce costs for product components, improve procurement terms and optimize sub-system designs to ease manufacturing at scale, enhance durability and facilitate the use of cheaper components. Furthermore, the Company works on optimizing its technology, design and assembly processes to increase the suitability for serial production. Product standardization, serial production and learning curve effects are expected to enable further efficiency and cost competitiveness following a scale-up of manufacturing. Lastly, the Company is focused on R&D efforts to achieve higher system energy efficiency. While the Company cannot control the price of electricity, it has the ability to influence the efficiency of its electrolysers, i.e. the conversion rate of electricity to green hydrogen.

Our products

The A-Series and X-Series bring energy to:

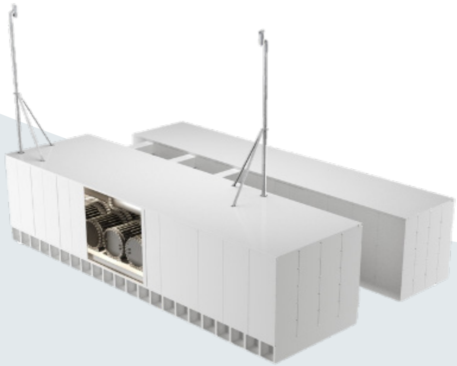
Transport

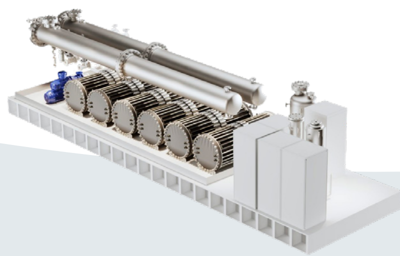
Train

Airplane

Power-to-X

Eco village





The A-Series

The A-Series is currently the Company's core product platform. It is a complete, pressurised alkaline electrolysis solution available in standardised and modular configurations for high product efficiency, versatility and scalability. Being the result of +13 years of R&D, the A-Series builds on a proven pressurised alkaline technology with robust operational performance. During 2021 and 2022, the entire A-Series has been upgraded from Mk0 to an optimised Mk1 version. The Mk1 version includes the A90 process module, the balance of plant as well as the HyProManagerTM software and control system enabling automatic and remote operations. Furthermore, the Company is in the process of obtaining third-party design verification in addition to an improved safety concept according to ISO 12100, EN ISO 13849 and IEC 61508, which has already been obtained.

By the end of 2022, the first A-Series Mk1 electrolysers were delivered to customers in Norway and Sweden which is continued in the first months of 2023.

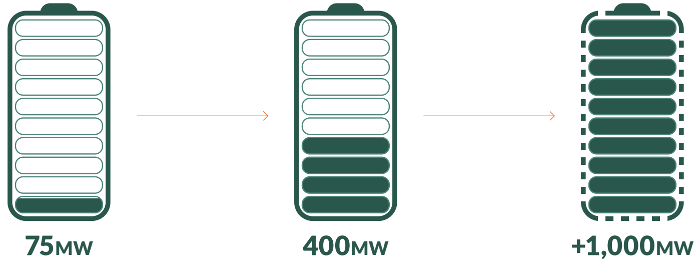
The X-Series

The X-Series is a pressurised alkaline electrolyser currently under development. One X-1200 electrolysis unit consists of 6 stacks, a balance of plant and software and a control system, which has a green hydrogen production capacity of 1200 Nm3 per hour and with an expected power consumption of 6 MW. The X-1200 unit will enable Green Hydrogen Systems to target medium to large-scale projects, potentially also targeting the GW scale over time. The power consumption may be increased over time as the X-Series platform is further advanced. The X-Series platform will be based on the stack technology of the A-Series, with increased electric current density and number of electrodes. The platform will further build on the Company's product principles of optimised modular design entailing seamless system scaling and dynamic operation. Furthermore, the X-Series will drive costs down for its customers' production of hydrogen (LCOH) through increased system efficiency, serial production and a number of cost-out initiatives.

The first X-Series prototype is targeted for delivery in March 2023 with installment in H1 2023. The commercial launch of the first fully commercialised X-Series unit, including sales effort intensified and binding offers submitted to customers, targeted from late 2023.

Increasing the production capacity

Initiated factory expansion increasing the production capacity from:



The Company is currently expanding its facilities and upscaling its manufacturing capacity to accommodate expected future demand for green hydrogen and electrolysis equipment. Currently, the Company is in the process of commissioning and equipping its expanded facility of around 18,000 m2 in total. Once completed and fully upgraded it is expected to increase the total manufacturing capacity to around 400 MW per year when fully equipped. The expansion will comprise investments in the production line for the A- and X-Series as well as an increased warehousing area and automation of certain parts of the manufacturing and assembly processes. Manufacturing capacity could over time potentially reach more than 1,000 MW per year in the current facilities through continuous optimisation of manufacturing and assembly processes as well as a more efficient supply chain integration.

A central aspect of the ongoing dialogue between Green Hydrogen Systems and its customers is to discuss future production capacity and capacity planning. Based on these customer dialogues, the short lead time from the decision to the opening of subsequent capacity expansions allows for timely capacity planning as demand for Green Hydrogen Systems' electrolysers continues to grow. Potential new production facilities may as well take place outside Denmark in pursuit of lower costs, customer proximity or to satisfy local content requirements.

The demand for hydrogen is expected to significantly increase during the next three decades

Our strategy

Green Hydrogen Systems' ambition is to advance and deploy a modular, standardised and versatile electrolyser technology to drive and develop the green hydrogen market and meet the growing demand from customers and other stakeholders.

To deliver on this ambition, Green Hydrogen Systems will seek to establish the necessary platform to accelerate growth, maintain the competitiveness of its offerings and scale the business across the value chain:

- **Accelerate global growth**
- **Maintain offering competitiveness**
- **Scale-up across the value chain**

Accelerate global growth

The acceleration of global growth will be anchored in three main areas:

Firstly, several countries have been selected as short-term priorities for the Company to address. Such focus markets include the Nordic region, UK, Germany, Benelux, France, and Iberia, along with selected high-potential markets such as Australia. The Company is currently in the process of planning the establishment of its local sales platform. In addition, the Company aims to leverage partnerships with regional integrators to cope with market-specific complexity across its focus markets.

Secondly, a proactive sales effort has been adapted to address the market demands of large projects. Green Hydrogen Systems' technology and system design allow for a highly versatile and application-agnostic electrolysis offering. The Company is generally observing an industry trend towards medium and large-scale projects from 20 MW to +100 MW projects. As the product portfolio is based on modular and scalable electrolyser units such as the A-Series and the future X-Series, Green Hydrogen Systems considers itself to be well-positioned to deliver to such projects.

Finally, Green Hydrogen Systems will promote and increase awareness of the Company, the product portfolio and the green hydrogen industry. In terms of direct sales-oriented awareness among potential customers, the Company will seek to increase pre-sales marketing efforts for the upcoming X-Series, while keeping a certain marketing focus on the A-Series. The Company aims to leverage local and regional hydrogen networks and trade groups, which provide increased access to key opinion leaders in the industry, complemented by conferences and events with stakeholders across the industrial, political, and regulatory levels. Furthermore, the Company seeks to remain in continuous dialogue with political and regulatory stakeholders in its focus markets to promote the development of favorable market conditions, while employing an active media strategy to increase awareness with the public. As Green Hydrogen Systems operates in an ecosystem with numerous stakeholders, the company seeks to employ a wide branding strategy spanning several channels and activities and acting as a thought leader in the green hydrogen market.

Maintain offering competitiveness

On an industry level, LCOH is expected to decline significantly over the coming years. It is a development that is considered necessary to enable the cost parity pathway for green hydrogen against fossil fuels and derived energy carriers. Green Hydrogen Systems has an influence on several central LCOH components and expects to be able to drive cost reductions through a combination of well-defined cost-out programmes, the realisation of serial production as well as increased operational durability (uptime) and energy efficiency.

It will also take a continuous high-priority R&D effort to maintain Green Hydrogen Systems' competitive edge. To meet the potential future market demand for large-scale projects, a central aspect of the strategy is the successful development and launch of the X-Series. The first X-Series prototype is targeted for delivery in March 2023 with installment in H1 2023. The development process is enabled by sharing and applying relevant parts of the existing A-Series technology in the development of the X-Series.

Moreover, the service and maintenance offering is an important differentiator, a central element in total project economics and a critical part of the overall customer experience. As the install base increases, Green Hydrogen Systems further believes that revenue from service contracts will constitute a noteworthy share of total revenues and as such, strengthening the service and maintenance offering is a strategic priority.

To support the delivery of relevant service solutions, the Company will seek to expand its ability to leverage data extracted from installed

Our strategy (continued)

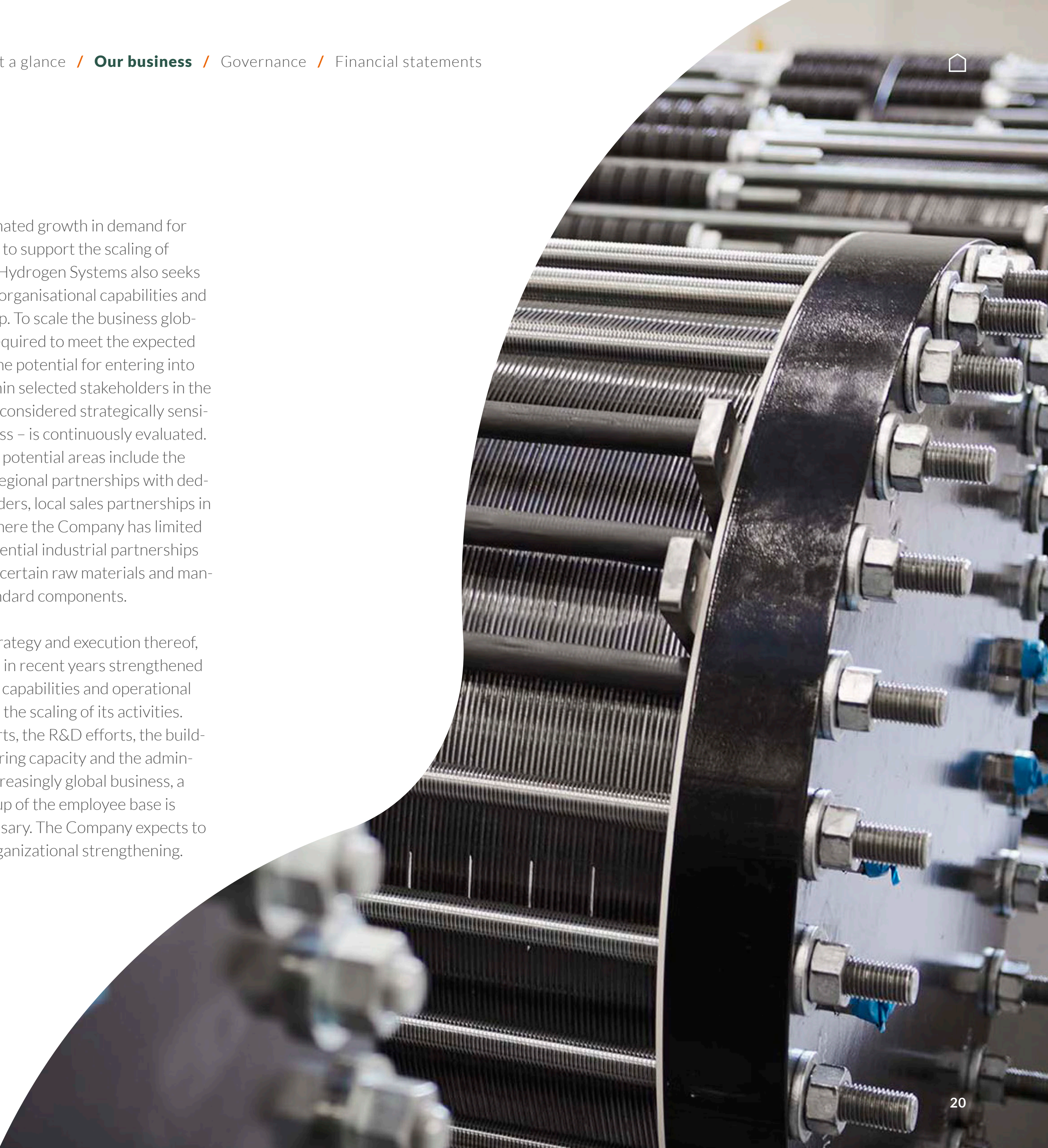
electrolysers and field technicians. This includes establishing the necessary infrastructure to retrieve, store and handle data, along with developing the principles for applying such data in surveillance and diagnostics services. Applying a more data-driven approach to its service offering is expected to support the Company's ability to perform predictive maintenance service and remote troubleshooting for its customers, conduct targeted performance improvements across an increasing install base and further provide real-use data for optimisation of the Company's products.

Scale-up across the value chain

The Company is currently expanding its facilities and upscaling its manufacturing capacity to accommodate expected future order backlog and pipeline. Once completed and fully upgraded, the current facility expansion phase is expected to increase the Company's total potential manufacturing capacity to around 400 MW per year. The expansion will comprise investments in the production line for the A- and X-Series as well as an increased warehousing area and automation. Further expansion phases could over time increase manufacturing capacity to more than 1,000 MW per year in the current facilities through continuous optimisation of manufacturing and assembly processes. Future expansion may also take place outside Denmark in pursuit of lower costs, customer proximity or to satisfy local content requirements.

To meet the estimated growth in demand for electrolysers and to support the scaling of activities, Green Hydrogen Systems also seeks to strengthen its organisational capabilities and operational set-up. To scale the business globally at the pace required to meet the expected future demand, the potential for entering into partnerships within selected stakeholders in the value chain – not considered strategically sensitive to the business – is continuously evaluated. Examples of such potential areas include the development of regional partnerships with dedicated EPC-providers, local sales partnerships in select markets where the Company has limited presence and potential industrial partnerships for processing of certain raw materials and manufacturing of standard components.

To support the strategy and execution thereof, the Company has in recent years strengthened its organisational capabilities and operational set-up to support the scaling of its activities. Within sales efforts, the R&D efforts, the build-out of manufacturing capacity and the administration of an increasingly global business, a significant scale-up of the employee base is considered necessary. The Company expects to continue such organizational strengthening.



Sustainability and statement of social responsibility

With a vision to pioneer the field of green hydrogen to drive a sustainable global energy transition, it is at the core of Green Hydrogen Systems to contribute to curbing climate change. The commitment to push for a more sustainable future happens with respect to responsible and sustainable business behaviour as adopted in Green Hydrogen Systems' sustainability policy in accordance with the Danish Recommendations on Corporate Governance.

Our commitment

In 2023, Green Hydrogen Systems will continue to increase its effort within sustainability. The company will evolve its ESG reporting framework and will as part of a medium-term business plan establish and update ESG target figures. Green Hydrogen Systems will also explore the possibilities to become a signatory to the UN Global Compact, reinforcing the Company's commitment to the ten principles of human rights, labour rights, anti-corruption, and the environment, which serve as the foundation of the Company's work with sustainability.

Diversity

Green Hydrogen Systems considers tolerance and respect to be fundamental values necessary to achieve the best working environment and it strives towards a diverse and inclusive work environment. The Company believes that a diverse workforce steers and drives creativity, innovation, decision-making and ultimately stronger financial performance. The starting point is providing equal opportunity for everyone pursuing a career in the Company. Furthermore, inclusion and diversity are inherent parts of the Company's way of working, both internally and externally. The focus on a diverse and inclusive working environment is described in the Company's Sustainability Policy and Diversity & Inclusion policy. By 31 December 2021, the underrepresented gender was female and constituted 16% of the workforce which by 31 December 2022 had increased to 17%.

As the Company believes that diversity and inclusion must be anchored at the management level to ensure that the entire organisation ultimately will reflect the Company's values and principles for diversity and inclusion the Board of Directors has prepared a policy to increase the share of the underrepresented gender at all management levels of the Company including a focus on gender pay equality. All members of the Executive Management team and the senior management team are required to prepare plans for ensuring that proper diversity and inclusion measures are duly implemented within the organisation of the Company. For the purpose of creating an inclusive and diversified organisation at management level as well as at other levels of the Company's organisation, the Company continuously train its employees in various aspects of diversity and inclusion and how to practically adopt diversity and inclusion principles into their day-to-day operations.

The Board of Directors consists of eight men and one woman. The Company aims to and has initiated a process to increase the share of the underrepresented gender at the Board of Directors to meet the Company's target of a minimum of 40% female members of the Board of Directors elected by the ordinary general meeting 2024. In 2022, the target was not achieved since only one female was elected by the General Assembly while one female decided to step-down from the Board of Directors.

Human rights

The Company observes and respects human rights and has implemented global human rights principles within the culture and day-to-day operations of the Company. Furthermore, Green Hydrogen Systems respects the right of employees to join or not to join labour organisations

276
Total number of employees
31 December 2022

17/83
Gender distribution
female/male %

8/92
Mgt gender distribution
female/male %

14.9
Voluntary employee
turnover %

7.4 LTIR
Out of 1,000,000
working hours

Sustainability (continued)

and to engage in collective bargaining. Green Hydrogen Systems' position on human rights is governed by the sustainability policy which covers sustainability principles, including principles on corporate social responsibility.

Green Hydrogen Systems recognises the significance of maintaining and promoting human rights and has incorporated measures as part of the company's supplier code of conduct for preventing any use of child labour, forced labours etc. as part of the Company's business. Internal employees as well as suppliers are made aware of Green Hydrogen Systems standpoint on human rights. In 2022, the business operation has not given rise to any reports on human rights misbehaviour directly to management or through the company' whistle-blower function.

Governance

As described in the Corporate Governance section, Green Hydrogen Systems has a strong governance setup aligned to the principles in the "Recommendations on Corporate Governance". To further strengthen governance, Green Hydrogen Systems has established a number of policies that have been implemented in daily business behaviour.

Data ethics

When Green Hydrogen Systems processes data or when designing, purchasing or implementing new technologies, the company's data ethics policy must be assessed and included in the considerations. The data ethics policy outlines ethical, legal and security measures to consider when processing data. As part of the onboarding process of new employees, Green Hydrogen Systems' general IT code of conduct and data ethics policy are presented.

Green Hydrogen System does not pass on or sell data to any third party. The data ethics policy is updated annually and is approved by the Board of Directors.

Whistle-blower

To reinforce direct, daily communication in the workplace regarding errors and unsatisfactory conditions, Green Hydrogen Systems has established a whistle-blower scheme. The scheme creates a secure framework for employees and external parties to speak up about problematic issues at the Company while being able to maintain anonymity. The whistle-blower scheme is intended to contribute to the detection and, as far as possible, the prevention of serious errors and misconduct.

Supplier management and anti-corruption

Green Hydrogen Systems' focus on sustainability and societal issues is also reflected in the Company's supplier code of conduct. Besides human rights as described above, the supplier code of conduct outlines requirements related to business ethics, anti-corruption, environmental impact and safety that all suppliers must adhere to. Green Hydrogen Systems reserves the right to conduct inspections to ensure compliance with the Code of Conduct. Inspections can be carried out by independent third parties and may be unannounced. Furthermore, to ensure alignment in the supplier value chain, suppliers must be able to document that the requirements in the supplier code of conduct have been forwarded and implemented at any sub-supplier. In 2022, the business operation has not given rise to any reports on corruption or other supplier-related misbehaviour directly to management or through the company's whistle-blower function.

Environmental awareness

Technology choice

Green Hydrogen Systems bases its electrolysis systems on the low-carbon technology pressurised alkaline, which is independent of scarce and emission-intensive resources such as iridium and platinum. Instead, it uses nickel as catalysts, which is widely available and less than 1,000 times as emission intensive as iridium and platinum; both metals which are used in the PEM electrolysis technology.

Emissions

Green Hydrogen Systems is aware of the environmental impact when producing, assembling and testing electrolyser units. To partly offset the impact, the current factory roof is fitted with solar panels. The expansion of the production facilities to 400 MW will enable further space for solar panel installations. Additional electricity is sourced through 'guarantee of origin' securing a high degree of renewable energy in the total energy consumption. In 2022, the factory acceptance test (FAT) was designed to partly operate in off-peak timeslot to utilise the available energy most efficiently.

In 2022, Green Hydrogen Systems installed additional charging stations to encourage employees to choose electric vehicles as their main transport solution. Furthermore, a green car policy has been issued also to encourage certain employees to choose less CO_2 emitting vehicles for their main transport solution.

Environmental certification

Green Hydrogen Systems holds certification in ISO 14001 setting a framework to manage environmental aspects, fulfil compliance obligations, and address environmental risks and opportunities. Based on the implementation of ISO 14001, Green Hydrogen Systems works with improving resource and waste efficiency benefiting the environment and the Company's cost base.

Our people

Health and safety

The health and safety of Green Hydrogen Systems' employees and other stakeholders is the uncompromising priority number one as the working climate, personal and professional development as wells as a working environment with high safety awareness is key to attracting and retaining employees. Green Hydrogen Systems continuously promotes an organisational culture with the safety mindset of "take care" in all production processes to maintain vigilance and take action to preserve a safe working environment.

Green Hydrogen Systems monitors safety daily, and registers and handles possible incidents on- or off-site to track and improve health and safety aspects. As an important step in maturing and formalising its systems' the company holds certification for occupational health and safety management through ISO 45001. The focus on a safe working environment is present at all levels of the organisation. In 2022, the employees reported on observations, near-miss and accidents and any registration of incidents is a topic for management attention on a daily and weekly basis.

For more information on risks related to employee related matter, please refer to "Talent attraction & retention" in the Risk management section.

Risk management

An active approach to risk management supports Green Hydrogen Systems in achieving its strategic and operational objectives.

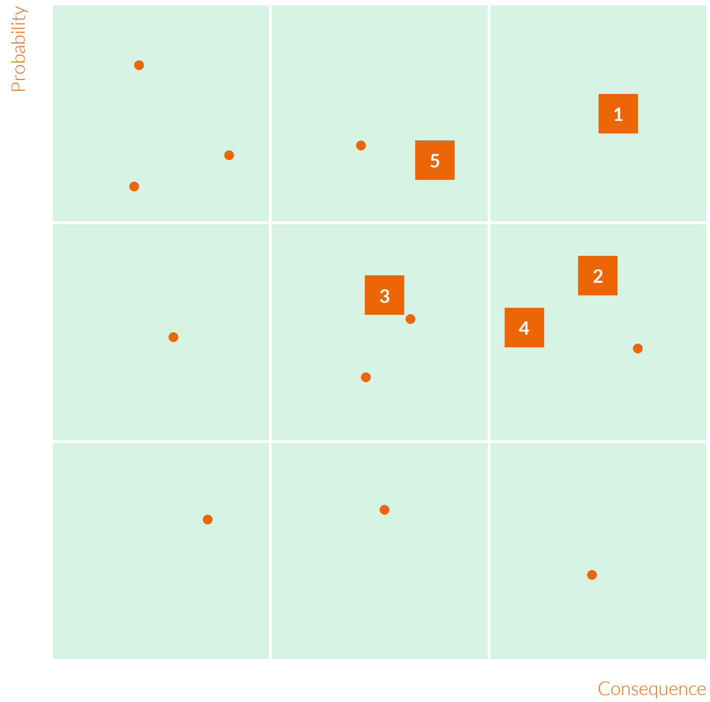
It is an essential part of good governance and helps to:

- drive a culture where everyone takes responsibility for risk
- empower the employees to make informed decisions
- enhance performance and organisational resilience

Risk management is seen as an integrated part of the daily activities and execution of the strategy. Green Hydrogen Systems continuously maintains risk management policies to manage and mitigate risks associated with its business and operations.

The overall responsibility for overseeing risks and for maintaining a robust risk management and internal control system is anchored by the Board of Directors and the Audit Committee.

The Executive Management Group oversees the day-to-day risk management. Selected key risks for Green Hydrogen Systems are presented below. Additional risks and uncertainties, including risks that are not known to Green Hydrogen Systems at present or that its management currently deems immaterial, may arise or become material in the future, which might have a negative financial or reputational impact on the company.



Our 5 key risks

1. Technology development
2. IT security
3. Talent attraction & retention
4. Safety
5. Supply Chain

Technology development

Description: Green Hydrogen Systems' future primary revenue-generating product platform – the X-Series – is still under development and the current A-Series and future X-Series electrolyser platforms have not been in operation for the full duration of their expected lifetime. The gradual upgrade of the A-Series electrolyser platform is expected to strengthen the ability to deliver to medium and large-scale projects in the near term. Similarly, the X-Series is intended to be used for large-scale green hydrogen projects requiring significant electrolyser capacity and is expected to become a key revenue driver for the Company in the future.

Risk: Successful and timely development and launch of the electrolyser platforms are important factors for Green Hydrogen Systems' continued capacity to participate in large-scale green hydrogen projects and in general for future business and financial performance. Accordingly, if Green Hydrogen Systems does not meet the planned development/launch of the electrolyser platforms, it may have a significant impact on the Company's ability to reach its revenue and profitability targets.

Mitigation:

- Increased and advanced investments in future product offerings to support timely market launch
- Engagement in industry and customer partnerships to support the development of relevant product offerings

IT security

Description: Green Hydrogen Systems is dependent on reliable and efficient IT systems in all aspects of its business operations.

Risk: IT systems may encounter loss of operational stability or loss of intellectual property due to security vulnerabilities like unauthorised access, malware or viruses, or similar threats. If one or more of such events occur, it could result in financial loss or loss of confidential company or customer data and Green Hydrogen Systems may be required to spend significant resources on modifying its protective measures or on investigating issues and undertaking remedial action. Any of the above might have a material adverse effect on Green Hydrogen Systems´ business, financial results and reputation.

Mitigation:

- IT Security awareness training combined with user and endpoint protection for all employees in Green Hydrogen Systems with system access
- Resilience, retention and recovery initiatives like high availability, firewalls, multilevel off-site backup and timely patch management
- Business Continuity Plan implementation setting the direction for action if any IT security breaches occur
- 24/7 monitoring of IT system landscape for current and new threats to pro-actively mitigate vulnerabilities

Talent attraction & retention

Description: Green Hydrogen Systems actively pursues an ambitious growth strategy. To support such growth, the company scales and professionalises the organisation, including streamlining and altering internal and administrative processes as well as increasing the number of employees. This is exemplified by the employee count of 18 as of 31 December 2019 having increased to 276 as of 31 December 2022.

Risk: The high-paced expansion of Green Hydrogen Systems' organisation may place substantial demands on management, technical, financial and other organisational resources which may defocus other business objectives. Furthermore, organisational scaling requires continued access to the recruitment of talented employees which on a continues basis may be challenged in a new industry segment such as the green hydrogen industry where labour market bottleneck may occur.

Mitigation:

- Recruit both nationally and internationally creating an environment where all whatever their background, can reach their full desired potential
- Close cooperation with educational institutions to attract graduates and students supporting the talent pipeline
- Staying an attractive employer of choice, developing employees and providing a safe and efficient working environment, while supporting a healthy work/life balance

Safety

Description: As part of the equipment research, development, assembling, testing, installation and service, the employees in Green Hydrogen Systems are exposed to various risks. The production process exposes the employees to alkaline and corrosive substances as well as pressurised gases and high temperatures. In addition, Green Hydrogen Systems products may - due to defects, mishandling or for other reasons - potentially inflict possible injuries to persons and/or property. This is further aggravated by the fact that the company's equipment processes hydrogen, which is highly flammable under certain conditions.

Risk: Any major incident involving hydrogen with possible injuries to persons and/or property, may result in governmental authorities and investors becoming reluctant to invest in green hydrogen which could have a general adverse effect on the green hydrogen market. Furthermore, incidents related to the production process of the electrolysers causing injuries to employees or contractors may have a negative effect on Green Hydrogen Systems' reputation. The occurrence of any of the above incidents could have a material adverse effect on the general development and financial position of the company.

Mitigation:

- Safety is deeply rooted in the culture and is a key theme in the hiring and onboarding of new employees
- The electrolysers are tested at the factory according to applicable governmental safety measures
- Automated software will shut down the electrolysers in the event of any hydrogen-related irregularities

Supply chain

Description: To meet the expected increase in future demand for electrolysers, the Company is undertaking an ongoing scale-up of its assembly and production. To support this, the Company is both ramping up general production capacity as well as continuously seeking to improve its supply chain management. The Company has an assembly-focused production setup, meaning that it generally obtains various electrolyser components from its suppliers and assembles them in its production facilities. Accordingly, scaling the Company's production is exposed to supply chain disruptions causing shortages and fluctuating prices of raw materials and components on which the Company is dependent.

Risk: From a supply chain perspective, the Company is dependent on the ability of its suppliers to consistently deliver electrolyser components as well as other materials used in the Company's treatment and processing of electrolyser components. Failure to ensure the delivery of components and materials required for the Company's assembly and production may impair the Company's ability to scale its production.

Mitigation:

- Most components in the electrolysers are standard or manufactured by standard processes, and hence widely accessible
- A dual sourcing strategy is in place by either actively buying from several suppliers or benchmarking and ensuring competition between multiple suppliers
- For long-lead items, frame agreements are in place based on the manufacturing and delivery plan

Governance

In this section

A two-tier governance structure

The shareholders of Green Hydrogen Systems have the ultimate authority over the company and can exercise their right to make decisions at the annual general meetings. At the general meetings, the shareholders vote to approve the annual report and the remuneration report for the past year and any proposed revisions to Green Hydrogen Systems' Articles of Association. The shareholders also elect board members and an independent auditor. Board members elected by the shareholders at the annual general meeting serve for one-year terms and are eligible for re-election.

Green Hydrogen Systems has a two-tier governance structure, consisting of the Board of Directors and the Executive Management. The two bodies are separate and have no members in common. The governance structure of the Board of Directors and the Executive Management is set out in the internal Rules of Procedure of the Board of Directors. The Board of Directors determines the overall strategy and takes on the role of sounding board to the Executive Management whereas the Executive Management undertakes the operational management of the company.

The Executive Management has established an Executive Management Group consisting of the Chief Executive Officer, the Chief Financial Officer and four C-level officers covering the company's commercial, operational, R&D and HR-related activities.

As of 31 December 2022, the Board of Directors consisted of nine shareholder-elected members. No employee-elected board members have been appointed as the Company is not subject to section 140 of the Danish Companies Act.

Details on the individual board members are available in the section ´Executive Management and Board of Directors´.

In accordance with the Rules of Procedure of Green Hydrogen Systems, the Board of Directors has a Chairmanship consisting of two members – the Chair and the Vice Chair. The Chairmanship is to assist the Board of Directors in planning meetings and engagements with the Company's Executive Management, while reporting back to the Board of Directors.

For the purpose of increasing efficiency and improving the overall quality of the work of the Board of Directors, an Audit Committee, a Remuneration & Nomination Committee and an ad-hoc Manufacturing & Technology Committee have been established. The Audit Committee assists the Board of Directors in overseeing aspects relating to accounting, auditing, risks, internal

Meeting attendance

Board Member	Board Meetings		Audit Commitee	Remuneration & Nomination Committee	Manufacturing & Technology Committee
	Ordinary	Extraordinary			
Thyge Boserup*	●●●●–––––	●●●●●●●●–		●●–	
Troels Øberg	●●●●●●●●●	●●●●●●●●●		●●●	
Christian Clausen	●●○●●●●●●	●○○●●●●●●	●●–––	––●	
Lars Valsøe Bertelsen	●●●●●●●●●	●●●●●●●●●	––●●●		
Thomas Thune Andersen	●●●●●○●●○	●●○●●●○●●		●●●	
Karen-Marie Katholm*	●●●●–––––	●●●●●●○●–	●●–––		
Jakob Fuhr Hansen	●●○●●●●●●	●○●●●●●●●	●●●●●		
Simon Krogsgaard Ibsen	●●●●●●●●●	●●●●●●●●●			●●●●
Dr. Armin Schnettler**	––––●●●●●	––––––––●			●●●●
Anders Vedel**	––––●●●●●	––––––––●			●●●●
Karen Dyrskjøt Boesen**	––––●●●●●	––––––––●	––●●●		

● Attending ○ Not attending – N/A

*Member of the Board of Directors until 18 July 2022
**Member of the Board of Directors from 18 July 2022

A two-tier governance structure (continued)

controls and financial, environmental, social and governance data. The Remuneration & Nomination Committee assists the Board of Directors in nominating and remunerating candidates for the Board of Directors and the Executive Management including guidelines on incentive pay for the Executive Management. The ad-hoc Manufacturing & Technology Committee assists the Board of Directors in reviewing and assessing the evolving energy landscape, the challenges encountered and foreseen related to scaling and industrialising Green Hydrogen Systems' technology.

For details on the Board of Directors' authority to increase the share capital or to acquire treasury shares please refer to item 5 of the Articles of Association available at investor.greenhydrogen.dk

Board evaluation

The Board of Directors conducts an annual self-assessment and review of the Board of Directors' performance, achievements and competencies, including an evaluation of the individual board member's performance and of the collaboration with the Executive Management.

The Remuneration & Nomination Committee has the overall responsibility for conducting the annual self-assessment of the Board of Directors. Every third year, the self-assessment and review are facilitated by professional external consultants, who interview all members of the Board of Directors. The last time the self-assessment was facilitated by external consultants was in September 2021. The annual self-assessment in 2022, included an assessment of strategy development and implementation, cooperation between the Board of Directors and the Executive Management, Board composition and dynamics, preparation and accomplishment of board meetings, risk awareness and evaluation of the Chairman. Overall, the self-assessment revealed good performance by the Board of Directors as well as good cooperation between the Board of Directors and the Executive Management.

The Board of Directors found that the initiatives taken during 2022 to further increase the Board of Directors' focus on developing and implementing the strategy and the monitoring of the performance on relevant quantitative indicators, linked to the strategy, had strengthened the overall strategy.

Diversity

Green Hydrogen Systems believes that diversity and inclusion must be anchored at the management level to ensure that the entire organisation will ultimately reflect the values and principles of diversity and inclusion. Accordingly, the Board of Directors and the Executive Management are continuously evaluating the composition of the management bodies of Green Hydrogen Systems when assessing how new skills and qualifications can be brought into play. Pursuant to section139 (c) of the Danish Companies Act, the Board of Directors has prepared target figures for increasing the share of the underrepresented gender and prepared a policy to increase the share of the underrepresented gender at all management levels of the Company. Green Hydrogen Systems' Diversity Policy and Policy & Target Figures for the underrepresented gender are available at investor.greenhydrogen.dk

Remuneration

The remuneration of the Board of Directors and the Executive Management is designed to incentivise the achievement of Green Hydrogen Systems' strategic long-term and short-term targets for the benefit of the company's shareholders. Furthermore, the Remuneration Policy of Green Hydrogen Systems is designed to provide a clear and transparent remuneration framework through which shareholders can assess the basis on which the Board of Directors and Executive Management are compensated.

The members of the Board of Directors are offered a fixed annual base fee. The Chairperson and the Vice Chairperson as well as the members of the Audit Committee, the Remuneration & Nomination Committee and the ad-hoc Manufacturing & Technology Committee receive a supplementary fee. The members of the Board of Directors do not participate in any incentive schemes – however, part of the fixed fee may be paid in ordinary shares.

The remuneration of the members of the Executive Management consists of a fixed annual salary and a variable remuneration package, which is comprised of a short-term incentive programme and a long-term incentive programme. The fixed salary serves the purpose of attracting and retaining high-performing members of the Executive Management with the ability to implement the Company's strategy and deliver long-term shareholder value. Furthermore, the fixed salary enables the members of the Executive Management to make decisions with a long-term perspective in mind without undue consideration for short or long-term incentives. The long-term incentive is designed to align the interests of management with those of the shareholders by being share-based and including targets that are linked to the achievement of long-term goals.

Green Hydrogen Systems' remuneration policy is reviewed annually by the Remuneration & Nomination Committee and the Board of Directors. The remuneration policy and the remuneration report for 2022 are available at investor.greenhydrogen.dk

Recommendations on Corporate Governance

As a listed company on Nasdaq Copenhagen, Green Hydrogen Systems is subject to the Danish recommendations on corporate governance. In accordance with section 107b of the Danish Financial Statements Act, Green Hydrogen Systems publishes its Corporate Governance Statement for the financial year 2022 at investor.greenhydrogen.dk

Shareholder information

Share price development

The Green Hydrogen Systems share closed at DKK 9.75 per share on 30 December 2022 with a total market capitalisation of DKK 811 million. From 1 January 2022 to 30 December 2022, the share price has decreased by 71.6%. In comparison, the global share index for renewables iShare Global Clean Energy increased by 4.6%, while the Nasdaq Copenhagen MidCap index, of which Green Hydrogen Systems is a component, decreased by 11.7% during the same period.

The daily average trading volume of the Green Hydrogen Systems share in 2022 was 79,789 shares, corresponding to an average of DKK 1.6 million per day.

Share capital and ownership structure

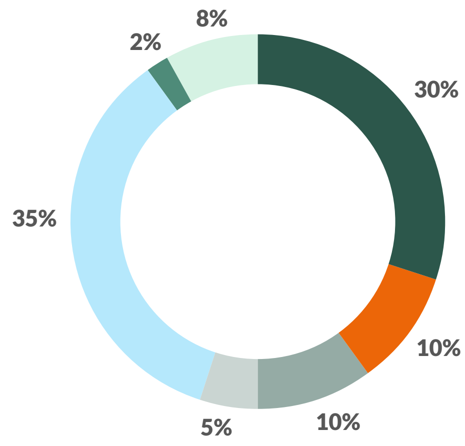
Green Hydrogen Systems' share capital amounts to 83,165,961 shares each with a nominal value of DKK 1. Green Hydrogen Systems has one single share class with no restrictions on ownership or voting rights. As of 31 December 2022, Green Hydrogen Systems had +18,000 registered shareholders. The diagram 'Ownership structure' shows the composition of the shareholders highlighting geographical presence and holdings above 5% of the share capital.

Communication with shareholders

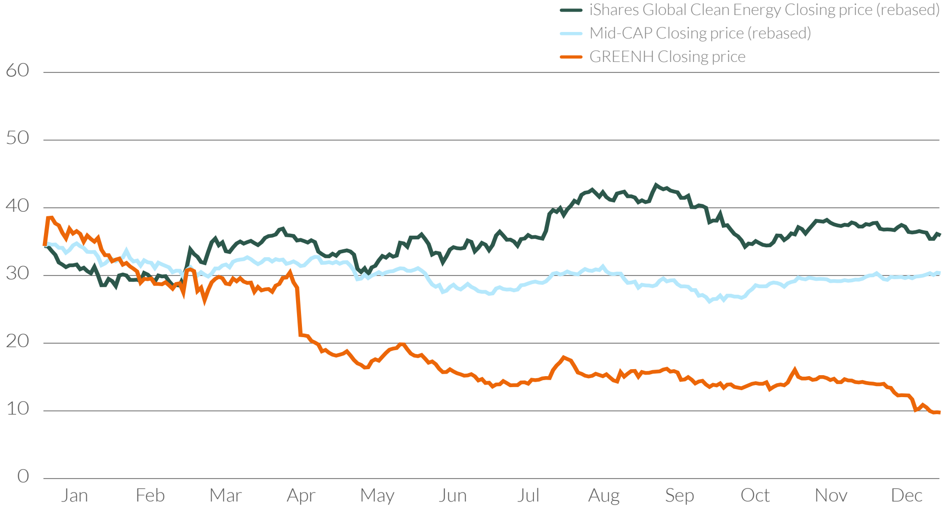
Green Hydrogen Systems aims to openly communicate with investors, analysts and other IR stakeholders ensuring that they can obtain an updated understanding of the Company's financial and strategic performance as well as the opportunities and risks. Green Hydrogen Systems engages in investor dialogue by means of conference calls and investor meetings. The Company also participates in conferences and meetings arranged for communicating with institutional and private investors. Conference calls arranged by the Company will be set up for discussing the quarterly trading statements, H1 interim report and annual financial performance and material events relating to the Company's business. Participants may ask questions to The Executive Management at the end of such conference calls. Presentations from such events will be made available at the Company's website afterwards.

Ownership structure

(approximate figures)



Share price development



Financial calendar 2023

Annual General Meeting:	18 April 2023
Q1 2023 trading statement:	28 April 2023
Q2 2023 interim report:	22 August 2023
Q3 2023 trading statement:	1 November 2023

Share information

Stock exchange:	Nasdaq CPH A/S
Index:	Mid Cap
Share capital (DKK):	83,165,961
Number of shares:	83,165,961
Nominal value (DKK):	1
ISIN code:	DK0061540341
Trading symbol:	GREENH
Share price at year-end (DKK):	9.75
Treasury shares:	n/a

Executive Management

Sebastian Koks Andreassen
CEO, member of the Executive Management

Danish, born 1973

With Green Hydrogen Systems since 2020

Previous experience:
INEOS (CEO Oil & Gas Scandinavia), Ørsted (CFO Oil & Gas), Copenhagen Airports

Ole Vesterbæk
CFO, member of the Executive Management

Danish, born 1969

With Green Hydrogen Systems since 2022

Previous experience:
Danish Crown (CFO Danish Crown Pork), Ecco Shoes (COO & CFO USA)

Stephan Jin Man Kim
CTO

German, born 1975

With Green Hydrogen Systems since 2023

Previous experience:
BEGO (Chief Development and Innovation Officer), SENVION (VP Product Development Services / Strategic Projects

Troels Hornsved
COO

Danish, born 1974

With Green Hydrogen Systems as COO since 2020

Previous experience:
Universal Robots (VP, Supply Chain & Operations), Vestas (Senior Manager, Production)

Birgitte Høgh Frederiksen
CHO

Danish, born 1971

With Green Hydrogen Systems since 2021

Previous experience:
INEOS (Head of HR Oil & Gas, Denmark), Løgismose Meyers Group (Senior HR Business Partner), Tican Fresh Meat (Manager, HR & Internal comm.)

Søren Rydbirk
CCO

Danish, born 1977

With Green Hydrogen Systems since 2021

Previous experience:
FL. Schmidt (Senior VP, Head of Service Business Unit), Vestas (VP, Head of Commercial)

Board of Directors

Christian Clausen
Chairman (Independent)

Danish, born 1955

Other positions:
BlackRock Group Ltd (Board Member), BW Group (Board Member), Sampo Group (Board Member)

Previous experience:
Nordea (Group CEO)

Troels Øberg
Vice Chairman

Danish, born 1978

Other positions:
Nordic Alpha Partners (Partner), AgroIntelli (Board Member), Mater (Board Member)

Previous experience:
Flokk (CEO),
Ørsted (Head of Sales)

Lars Valsøe Bertelsen
(Independent)

Danish, born 1967

Other positions:
Norlys (VP M&A and Business Development), Aros Capital Fondsmæglerselskab (Board Member)

Previous experience:
Eniig (Head of M&A), Ernst & Young (Executive Director)

Thomas Thune Andersen
(Independent)

Danish, born 1955

Other positions:
Ørsted (Chairman),
VKR Holding (Chairman),
Lloyds Register (Chairman),
BW Group (Board Member)

Previous experience:
A.P. Møller-Mærsk (various senior executive positions)

Jakob Fuhr Hansen

Danish, born 1974

Other positions:
Partner at Nordic Alpha Partners, AgroIntelli (Board Member), ReMatch (Board Member)

Previous experience:
Partner Vækstfonden,
Microshade (Chairman)

Board of Directors

Simon Krogsgaard Ibsen
(Independent)

Danish, born 1987

Other positions:
Principal at A.P. Møller Holding, KK Wind Solutions (Board Member)

Previous experience:
EQT Partners, TA Associates, J.P. Morgan

Anders Vedel
(Independent)

Danish, born 1957

Other positions:
Vestas (Chief Scientific Advisor for the BoD and ExM), GrennLab Skive A/S (Board Member), Hvide Sande Havn (Board Member)

Previous experience:
Vestas (Chief Technology Officer)

Dr. Armin Schnettler
(Independent)

Danish, born 1963

Other positions:
5THydrogen (Operating Partner), Profas Energy Consult GmbH (Managing director), Reinhausen Group (Advisory Board Member)

Previous experience:
Siemens (Executive Vice President), Siemens Energy (Executive Vice President)

Karen Dyrskjøt Boesen
(Independent)

Danish, born 1971

Other positions:
Sonnedix (Chief Financial Officer)

Previous experience:
Total Energies (General Manager), A.P. Møller-Mærsk (Regional CFO)

Financial statements

In this section

Management's statement

The Board of Directors and the Executive Management have today considered and adopted the Annual Report of Green Hydrogen Systems A/S for the financial year 1 January – 31 December 2022.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations and cash flows for 2022.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

In our opinion, the annual report of Green Hydrogen Systems A/S for the financial year 1 January - 31 December 2022 with the file name 984500COESDF699DEC11-2022-12-31-en is prepared, in all material respects, in compliance with the ESEF regulation.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Kolding, 1 March 2023

Executive Management

Sebastian Koks Andreassen

Ole Vesterbæk

Board of Directors

Christian Clausen (Chairman)

Troels Øberg (Vice chairman)

Anders Jakob Vedel

Jakob Fuhr Hansen

Thomas Thune Andersen

Karen Dyrskjøt Boesen

Lars Valsøe Bertelsen

Simon Krogsgaard Ibsen

Armin Schnettler

Independent Auditors' Reports

To the shareholders of Green Hydrogen Systems A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Financial Statements of Green Hydrogen Systems A/S for the financial year 1 January to 31 December 2022 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

Following a tendering procedure, we were appointed by shareholder resolution at the general meeting on 30 March 2022 as auditor of Green Hydrogen Systems A/S for the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of capitalised development cost The Company capitalises development costs related to electrolysers and electrodes when certain criteria according to IFRS are met. Development projects in progress are not amortised but tested for impairment annually. Furthermore, completed development projects are tested for impairment if there are any indications of impairment. Impairment indicators are continuously monitored, and Management assesses whether there is any indication of impairment, e.g., changes in the ability to comply with the capitalisation criterias, technical issues or other indications that the developed technology is impaired. Management determined the recoverable amount of the development projects based on an external valuation, as the development, refinement and commercialisation of the electrolysis technology is the Company's main activity. The external valuation exceeds the carrying amount with a substantial amount, even though the required return rate includes a risk premium reflecting the uncertainty related to the Company's technical issues and delay in customer deliveries. We focused on this area, because Management is required to exercise considerable judgement, and because of the inherent complexity and subjectivity in the estimation and assessment. Refer to note 2 and 13 in the Financial Statements.	We selected a sample of development projects in progress and considered whether the criterias in IFRS were met for capitalisation. As part hereof, we challenged Management's assessment whether the intent and feasibility to finalise the projects exists and whether the projects are expected to generate future economic benefits exceeding the carrying value. We assessed relevant internal controls and performed substantive audit procedures to verify capitalised amounts. We discussed with Management and evaluated the methodology by which Management monitors indicators of impairment including the commercial expectations for the projects and significant assumptions applied. In addressing the risk, we considered the appropriateness of Management's applied methodology for impairment testing to determine compliance with IFRS. Further, we evaluated and challenged the impairment test performed by Management including the assumptions applied, hereunder by assessing the external valuation obtained including the significant data and assumptions applied. In assessing the external valuation, we involved our valuation specialists. Finally, we assessed Management's disclosure of these matters in the Financial Statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories and onerous contracts The Company has continued to build-up large inventories in 2022 consistent with previous year due to the commenced production of electrolysers. Inventories are measured at the lower of cost and net realisable value. Cost comprises raw materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Valuation of work in progress is based on standard costs, which are derived from a framework of sub-assemblies and the raw material and estimated direct labour needed to produce these sub-assemblies. During 2022, the Company has recognised additional write downs on inventory for electrolysers under construction due to expected negative margins and late delivery rebates related to some of these electrolysers, which was identified by Management last year. As these onerous contracts relate to units still under construction, an additional write down was recognised. We focused on this area, because estimation uncertainty is high, as Management is required to exercise considerable judgement in respect of determining assumptions applied to raw materials and labour in estimating costs to complete the construction and timing of the delivery of these units. Refer to note 2 and 18 in the Financial Statements	We assessed relevant internal controls and on a sample basis performed substantive audit procedures to verify amounts recognised as the cost of the electrolysers. We considered the appropriateness of the analysis of "raw materials and consumables used" in the production, sample tested input data and evaluated the explanations provided by Management. We evaluated the overview prepared by Management detailing the expected negative margins on the electrolysers under construction and estimated late delivery rebates. We compared the overview to the terms in the related sales contracts, and on a sample basis verified the expected cost to complete the electrolysers, by comparing the assumed costs of raw materials to the most recent purchase prices of the raw materials. We evaluated and challenged Management's expectations to the completion and delivery of the electrolysers, utilised in the calculation of late delivery rebates. Finally, we assessed Management's disclosure of these matters in the Financial Statements.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Green Hydrogen Systems A/S for the financial year 1 January to 31 December 2022 with the filename 984500COESDF699DEC11-2022-12-31-en is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information voluntarily tagged and therefore required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Financial Statements.

In our opinion, the annual report of Green Hydrogen Systems A/S for the financial year 1 January to 31 December 2022 with the file name 984500COESDF699DEC11-2022-12-31-en is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 1 March 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Rasmus Friis Jørgensen State Authorised Public Accountant mne28705	Jacob Brinch State Authorised Public Accountant mne35447

Income statement

Statement of profit or loss

DKK '000	Notes	2022	2021
Revenue from contracts with customers	3, 4	10,422	5,172
Other operating income	8	3,330	2,382
Total revenue & operating income		**13,752**	**7,554**
Changes in inventory of finished goods and work in progress		26,658	25,580
Raw materials and consumables used		(99,556)	(57,323)
Work performed by the Company and capitalised		79,704	49,272
Employee costs	5	(189,313)	(108,374)
Other operating expenses	9	(80,418)	(65,159)
Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)		**(249,174)**	**(148,450)**
Depreciation and amortisation	6	(33,792)	(14,883)
Operating profit/(loss) (EBIT)		**(282,967)**	**(163,333)**
Financial income	10	289	637
Financial expenses	11	(5,138)	(335,675)
Profit/(loss) before tax		**(287,816)**	**(498,371)**
Income tax benefit	12	5,500	5,500
Profit/(loss) for the period		**(282,316)**	**(492,871)**
Earnings per share attributable to shareholders	24	**(3.42)**	**(7.85)**
Diluted earnings per share attributable to shareholders	24	**(3.42)**	**(7.85)**

Statement of comprehensive income

DKK '000	Notes	2022	2021
Profit/(loss) for the year		(282,316)	(492,871)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income net of tax	15	(23,981)	(2,171)
Other comprehensive income for the year		**(23,981)**	**(2,171)**
Total comprehensive income for the period		**(306,296)**	**(495,042)**

Balance sheet

DKK '000	Notes	31 December 2022	31 December 2021
Intangible assets	13	173,962	58,912
Property, plant and equipment	14	313,586	161,297
Financial assets at fair value through other comprehensive income	15	562,443	691,494
Right-of-use assets	17	7,875	8,235
Deposits		908	527
Total non-current assets		**1,058,773**	**920,465**
Inventories	18	170,004	73,423
Trade receivables	19	10,861	3,681
Income tax receivables	12	5,500	5,500
Prepayments		10,510	1,813
Other receivables		16,393	23,194
Financial assets at fair value through other comprehensive income	15	182,600	0
Cash and cash equivalents		95,340	266,924
Total current assets		**491,209**	**374,536**
Total assets		**1,549,982**	**1,295,001**

Balance sheet

DKK '000	Notes	31 December 2022	31 December 2021
Share capital	21	83,166	81,987
Share premium		1,742,521	1,740,789
Reserve for development costs		131,608	43,189
Reserve for financial assets at fair value through other comprehensive income		(26,152)	(2,171)
Accumulated deficit		(1,069,088)	(691,953)
Total equity		**862,056**	**1,171,842**
Lease liabilities	17, 23	4,560	3,938
Total non-current liabilities		**4,560**	**3,938**
Borrowings	22, 23	500,000	0
Trade payables	23	65,127	42,850
Lease liabilities	17, 23	3,440	3,460
Contract liabilities	20	41,428	27,576
Deferred income	8	33,297	31,614
Provisions	25	14,944	3,114
Other payables		25,131	10,607
Total current liabilities		**683,366**	**119,221**
Total liabilities		**687,927**	**123,159**
Total equity and liabilities		**1,549,982**	**1,295,001**

Statement of changes in equity

DKK '000	Notes	Share capital	Share premium	Reserve for development costs	Reserve for financial assets at fair value through other comprehensive income	Accumulated deficit	Total equity
Equity at 1 January 2021		**36,805**	**39,328**	**12,147**	**0**	**(92,357)**	**(4,077)**
Loss for the year		0	0	31,042	0	(523,913)	(492,871)
Other comprehensive income		0	0	0	(2,171)	0	(2,171)
Total comprehensive income for the year		**0**	**0**	**31,042**	**(2,171)**	**(523,913)**	**(495,042)**
Transactions with owners in their capacity as owners							
Capital increase, cash		31,681	1,234,069	0	0	0	1,265,750
Exercise of warrants, cash		1,453	2,135	0	0	0	3,588
Conversion of loan into shares, non cash		12,047	465,258	0	0	0	477,305
Share-based payments		0	0	0	0	16,033	16,033
Transaction costs for equity issuance	7	0	0	0	0	(91,715)	(91,715)
Total transactions with owners		**45,182**	**1,701,462**	**0**	**0**	**(75,682)**	**1,670,961**
Equity at 31 December 2021		**81,987**	**1,740,789**	**43,189**	**(2,171)**	**(691,953)**	**1,171,842**
Loss for the year		0	0	88,419	0	(370,735)	(282,316)
Other comprehensive income		0	0	0	(23,981)	0	(23,981)
Total comprehensive income for the year		**0**	**0**	**88,419**	**(23,981)**	**(370,735)**	**(306,296)**
Transactions with owners in their capacity as owners							
Exercise of warrants, cash		1,179	1,732	0	0	0	2,911
Share-based payments	7	0	0	0	0	4,673	4,673
Reclassification of warrant program		0	0	0	0	(11,073)	(11,073)
Total transactions with owners		**1,179**	**1,732**	**0**	**0**	**(6,400)**	**(3,489)**
Equity at 31 December 2022		**83,166**	**1,742,521**	**131,608**	**(26,152)**	**(1,069,088)**	**862,056**

Cash flow statement

Cash flow statement

DKK '000	Notes	2022	2021
Loss for the year		(282,316)	(492,871)
Changes in net working capital	32	(71,226)	(14,286)
Adjustments	32	64,884	362,584
Interests received		3,977	0
Interests paid		(4,688)	(13,348)
Income taxes paid/received		5,500	2,527
Net cash flow from operating activities		**(283,869)**	**(155,394)**
Payment for property, plant and equipment	14	(167,049)	(145,417)
Payment for development costs	13	(128,573)	(46,889)
Payment for financial assets at fair value through other comprehensive income	15	(103,367)	(699,959)
Sale of financial assets at fair value through other comprehensive income	15	21,699	5,494
Net cash flow from investing activities		**(377,290)**	**(886,771)**
Principal elements of lease payments	29	(4,547)	(4,658)
Proceeds from borrowings	29	500,000	0
Repayment of borrowings	29	0	(19,829)
Proceeds from share issues		2,911	1,269,338
Transaction costs for equity issuance		0	(91,715)
Cash settlement, warrants		(8,790)	0
Cash flow from financing activities		**489,574**	**1,153,136**
Net cash flow for the period		**(171,584)**	**110,971**
Cash and cash equivalents, beginning of the year		266,924	155,953
Cash and cash equivalents at end of the period		**95,340**	**266,924**

Contents notes

Notes

Note 1

Accounting policies

Green Hydrogen Systems A/S is a Danish based company focusing on development and production of cost-efficient and scalable electrolysers for hydrogen production based on renewable energy. The Company serves industries establishing on-site green hydrogen production for different purposes as well as energy and transport companies being at the forefront of development of Power-to-X applications and transition towards emission-free fuel. Revenue is generated from sale and installation of complete alkaline electrolysis solutions as well as service of the installed systems.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional Danish disclosure requirements applying to companies of reporting class D.

The annual report has been prepared under the historic cost convention, except for certain financial assets (listed bonds) and derivative financial instruments that are measured at fair value.

The financial statements are presented in DKK, which is also the Company's functional currency. The amounts have been rounded to the nearest thousand.

New and amended standards and interpretations adopted by the Company

The Company has adopted all new and amended standards and interpretations that are effective as of 1 January 2022 as adopted by the EU. None of the new or amended standards or interpretations have had a significant impact on the Company's financial statements for the current and is not expected to have a material impact on future periods or on foreseeable future transactions.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency') which is DKK.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company considers the Executive Management to be the operating decision making body, as the Executive Management examines the Company's performance and makes all significant decisions regarding business development and allocation of resources. For that purpose, a single business segment has been identified as an operating segment which is consistent with the internal reporting to the chief operating decision making body. Further information about the composition of the Executive Management has been provided in note 3.

There is also considered to be only one reporting segment, the results of which are presented in these financial statements.

Revenue

The Company mainly generates revenue from delivery of electrolysers and related commisioning and maintenance services.

Revenue from contracts with customers is recognized when control of the related goods and services are transferred to the customer and is recognised by the amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. This normally corresponds to the amount as specified in the contract.

A customer contract may include multiple promises such as delivery of electrolysers, commissioning and after-sales maintenance service. By applying the criteria in IFRS 15 the Company has determined that these promises normally comprise separate performance obligations for which revenue is recognised, as control with the respective performance obligation is transferred to the customer.

Customer payments are normally due 30 days after invoicing. No significant element of financing is deemed present. The Company does in general not accept returns.

Revenue from sale of electrolysers

The Company recognises revenue from sale of electrolysers at the point in time where the performance obligation is satisfied, which is normally when the factory acceptence test or the site acceptance test has been successfully completed. This is the point in time where control is considered to have been transferred to the customer and where the customer has the ability to direct the use of and obtain substantially all the remaining benefits from the equipment.

In most contracts the customer makes partial payments in advance of shipment and final site acceptance test. Considerations received from customers prior to the Company satisfies its performance obligation are recognised as a contract liability in the balance sheet. See further description of contract liabilities.

The Company provides its customers with warranties against design or manufacturing flaws and defects, normally within a period of 12 - 24 months after commissioning has taken place. The Company's estimated obligation under the standard warranty terms (assurance type warranties) is recognised under provisions.

Revenue from sale of maintenance service
Revenue generated from maintenance services are recognised as revenue when the work is performed.

For maintenance contracts where the Company has agreed to provide routine maintenance over an agreed period of time for a fixed price, revenue is recognised on a straight-line basis over the contract period, as this according to Management provides the most faithful depiction of the transfer of these maintenance services.

For maintenance contracts where the customers are invoiced on an hourly basis, the Company applies the practical expedient in IFRS 15 which allows revenue to be recognised in the amount the Company has the right to invoice the customer. This practical expedient is applicable when the amount corresponds directly with the value to the customer of the Company's performance completed to date.

Other operating income
Other operating income comprises items of a secondary nature to the main activities of the Company, including gains on sale of property, plant and equipment. The amount of government grants recognised in the income statement during the year is also included, irrespectively of when the grants were received.

Changes in inventory of finished goods and work in progress
Changes in inventory of finished goods and work in progress comprise of the periods change in value of inventories of finished goods and work in progress. The change in inventory considers fixed and variable production overheads, such as depreciations and employee costs, incurred in converting materials into finished goods which have been included in the cost of inventories.

Raw materials and consumables used
Raw materials and consumables include the cost of raw materials and consumables used during the year for the production of the Company's finished goods as well as incurred development costs. Any write-downs of inventories for the year are also included.

Work performed by the Company and capitalised
Work performed by the Company and capitalised includes the amount of employee costs incurred and consumption of raw materials and consumables, which during the year have been capitalised as part of the Company's development projects.

Employee costs
Employee costs comprise salaries and wages, including holiday pay and pensions and other costs for social security, etc. as well as costs for share-based payment programs for the Company's employees and Management.

Other operating expenses
Other operating expenses include facility costs, costs for advertising, administration, consultants, bad debts expense, losses on the sale of property, plant and equipment as well as costs for short-term and low value leases.

Depreciation and amortisation
Depreciation and amortisation includes the period's depreciation on property, plant and equipment and right of use assets as well as the period's amortisation on intangible assets.

Financial income and expenses
Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income, interest expenses calculated using the effective interest rate method, fair value adjustment of derivative financial instruments, etc..

Income tax
The income tax expense or credit for the period is the tax payable or receivable on the current period’s taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax on losses for the periods are originating from the tax credit scheme for research and development costs, under which the tax value of accumulated tax losses up to DKK 25 million are paid to the Company.

Intangible assets
Intangible assets include in progress and completed development projects and other externally acquired intangible rights such as rights and licenses.

In progress and completed development projects

Development costs that are directly attributable to the development of identifiable electrolysers and electrodes controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the electrolysers so that it will be available for use
- management intends to complete the electrolysers and use or sell it
- there is an ability to use or sell the electrolysers
- it can be demonstrated how the electrolysers will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the electrolysers are available, and
- the expenditure attributable to the electrolysers during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the projects include employee costs, cost of materials and capitalized borrowing costs. Capitalised development costs are recorded as intangible assets and amortised from the point in time at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred.

The Company amortises development projects with a finite useful life using the straight-line method over the following periods:

Development projects - In progress:	None
Development projects - Completed:	3 years

Other intangible assets

Other intangible assets include separately acquired rights and licences, which are measured at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Licenses and software are amortised over 5 years.

Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciations and impairment losses. The cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciations are calculated using the straight-line method, net of their residual values over their estimated useful lives, as follows:

Plant and machinery:	3 - 10 years
Other fixtures and fittings, tools and equipment:	3 - 5 years
Leasehold improvements:	3 - 15 years
Buildings:	25 - 40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss as other operating income/expenses.

Leases

The Company's leases include properties and vehicles.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Contracts may contain both lease and non-lease components. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. The Company's lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Company's incremental borrowing rate.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability, and reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Variable lease payments other than those based on an index or rate are recognised in the income statement when incurred. Payments associated with short-term or low value leases are recognised on a straight-line basis as an expense in profit or loss under the line item other operating expenses.

Impairment of non-current assets

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Development projects in progress are tested for impairment annually.

Trade receivables

Trade receivables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Company holds the trade receivables with the objective to collect the contractual cash flows and then measures them subsequently at amortised cost. The Company applies the IFRS 9 simplified approach in measuring the expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

See note 18 for a description of the Company's impairment policies for trade receivables.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise listed bonds, where the contractual cashflows are solely principal and interest and the objective of the Company's business model is achieved by both collecting contractual cash flows and selling financial assets.

At initial recognition, these financial assets are measured at fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, these financial assets are mesasured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in financial expenses/income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in financial items.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of first-in-first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Prepayments

Prepayments includes prepaid costs made by the Company and is measured at costs.

Other receivables

Other receivables comprise government grants receivable by the Company, VAT receivable, etc. Other receivables are measured at cost which normally correspond to the nominal amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances.

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

The reserve include premium on issue of shares.

Reserve for development costs

When development costs are capitalised in the balance sheet, a corresponding amount, net of tax, is recorded within the reserve for development costs. The reserve is reduced as the development projects are amortised. The reserve for development costs is not available for distribution of dividend.

Reserve for financial assets at fair value through other comprehensive income

The Company also has certain debt investments measured at fair value through other comprehensive income, as explained in note 23. For these investments, changes in fair value are accumulated within the fair value through other comprehensive income reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is derecognised or impaired.

Transaction costs related to equity issuance

Qualifying transaction costs incurred in connection with issuance of equity instruments are deducted from equity. Transaction costs incurred in anticipation of an issuance of equity instruments are deducted from equity as incurred. If the equity instruments are not subsequently issued, the transaction costs will be recognised as an expense. Where the qualifying transaction costs relate to lisiting of existing and new shares, the part of the total transation costs deducted from equity are based on a ratio between management's expectations about the number of new shares compared to the number of existing shares.

Earning per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company
- by the weighted average number of ordinary shares outstanding during the financial year

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Subsequently, borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Derivatives embedded in financial liabilities which are triggered upon certain events, such as additional payments upon an exit-event, are separated and accounted for separately when the risks of the derivative and the debt host contract are dissimilar. Such derivatives are initially measured at fair value and presented within borrowings. The derivatives are subsequently measured at fair value through profit or loss with fair value changes presented within financial income and expenses.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use and comprise of the Company's development projects in progress that meet the criteria.

Other borrowing costs are expensed in the period in which they are incurred.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions for service warranties are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provision is recognised when the control with the underlying goods and services are transferred to the customer. A corresponding entry is made in the income statement within raw materials and consumables used.

Provisions for onerous contracts are recognised where the unavoidable costs of fulfilling the obligations under the contract exceed the contract amount. Any impairment loss that has ocurred on assets dedicated to that contract is recognised before a separate provision is established.

Contract liabilities

A contract liability is the obligation to transfer good or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Share-based payments

Share-based compensation benefits are provided to board members, executive management and other employees and inlcude warrants-programs, restructed stock units (RSUs) and Performance Share Units (PSUs).

The fair value of the warrants, restricted stock units and performance share units granted under equity settled programs are recognised as an expense with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the grant date fair value of the warrants, restricted stock units and performance share units, respectively.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of warrants, restricted stock units and performance share units that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Warrant-programs where the Company has a choice of settlement are classified as cash-settled, when the Company, in substance, has an obligation to settle the program in cash. Liabilities for the Company's cash-settled warrant programs are recognised as employee costs over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as other payables in the balance sheet.

In the event, the Company changes the classification of an equity-settled warrant program to be settled in cash, the Company remeasures the fair value of the warrants to recognise a liability for the Company's obligation to settle the program in cash. Any change in the fair value arising from the remeasurement is recongnised directly in equity. Subsequent changes to the fair value of the liability are recognised as employee costs as described above.

Further information about the Company's share-based payment programs are disclosed in note 7.

Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase or development of assets are included in liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants that have been recognised as income, when the recognition criteria have been met, but which have not yet been received by the Company are recognised as an asset presented within other receivables.

Cash flow statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and expenses from share-based payment. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets and property, plant and equipment as well as payments and proceeds from purchase and sale of financial assets at fair value through other comprehensive income.

Cash flows from financing activities comprise cash flows from the raising and repayment of long term debt, principal element on lease payments as well as payments to and from shareholders, such as proceeds from capital increases.

Key Figures

The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

New standards and interpretations not yet adopted

The IASB has issued certain new accounting standards, amendments to accounting standards and interpretations that are not mandatory for 31 December 2022 reporting periods and which have not been early adopted by the Company. None of these standards, amendments or interpretations are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Note 2

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

The judgments, estimates and the related assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. Estimates and judgements are continually evaluated. The most critical judgments and estimates, including the assumptions, for the individual items are described below.

Critical accounting estimates

Critical accounting estimates are expectations of the future based on assumptions that to the extent possible are supported by historical trends or reasonable expectations. The assumptions may change to adapt to the market conditions and changes in economic factors etc. The Company believe that the estimates are the most likely outcome of future events. Assumptions and estimates relating to assets and liabilities that have a significant risk of resulting in a material adjustment to their carrying amount within the next financial year relate to:

Unrecognised deferred tax asset

As of 31 December 2022, the Company has unrecognised deferred tax assets of DKK 116,891 thousand, hereof the tax value of tax losses carried forward amounts to DKK 140,170 thousand (tax loss carry-forward of DKK 637,134 thousand). The Company has incurred the losses in recent years as a consequence of expanding the Company and its operations. The losses can be carried forward indefinitely and have no expiration date.

Recognition of deferred tax assets requires that it is probable that future taxable profits are available against which the unused tax losses can be utilised. As the Company has a history of making taxable losses, IAS 12 Income Taxes further requires that convincing evidence is available to support Management's assessment that sufficient taxable profits will be available in the future. Even though the approved budget and business plan shows that the Company will be generating taxable profits in the foreseeable future, Management has concluded that it will not be able to meet the strict criteria in IAS 12 to provide 'convincing evidence', as the budget and business plan are sensitive to the timing and level of investments and similar factors. Consequently, no deferred tax assets have been recognised for the Company's tax loss carry-forwards.

Impairment of capitalized development costs

The Company undertakes internal development projects for the advancement of electrolysers and electrodes.

In the case of there being a trigger for a review of impairment of completed development projects, the Company performs a review on the carrying amounts to determine whether there is any indication of impairment at the balance sheet date. The completed development projects proceed as expected, thus no impairment tests have been made for the year.

In addition, the Company tests annually the recoverable amounts of the development projects in progress to ensure that the capitalized costs have not over-run their operational or commercial value. Management expects the market for electrolysers will grow significantly in the coming years. The key drivers and indicators of momentum in the market for green hydrogen include societal and political pressure to limit CO2 emissions, regulatory push in national hydrogen roadmaps as well as decreasing cost of green hydrogen. As of 31 December 2022, the carrying amount of development projects in progress is DKK 154,676 thousand (2021: DKK 30,843 thousand). At year-end the company had solved the technical issues that were confirmed by factory acceptance tests and subsequent customer approval. The Company has an increasing order backlog, and the production ramp-up is progressing as expected. Therefore, the technical feasibility has been demonstrated, and the practical ability to sell and a market for the products exist. The recoverable amount has been determined based on an external valuation. The external valuation exceeds the carrying amount with a substantial amount, even though the required return rate includes a risk premium reflecting the uncertainty related to the Company's technical issues and delay in customer deliveries.

Fair value of derivative financial instruments

The fair value of derivatives embedded in debt host contracts, which are accounted for separately from the host contract, is determined using valuation techniques. The Company uses its judgement to select appropriate valuation methods and make assumptions that are mainly based on Management's' expectations about unobservable inputs. For details of the key assumptions used and the impact of changes to these assumptions see note 22 below.

Valuation of inventories and onerous contracts
As at 31 December 2021, a write-down of inventory amounting to DKK 17,402 thousand was recognised due to expected negative margins on electrolysers under construction and late delivery rebates related to some of these electrolysers. As these onerous contracts related to units under construction dedicated to fulfill specific customer contracts, a write-down of inventories was recognised. Assumptions and estimates relating to a write-down of inventory are based on Management's expectations to materials and labour in determining the costs to complete the construction and timing of the delivery of these units. Management has accordingly revised its estimate during 2022, whereby the write-down of inventories has been increased by DKK 19,594 thousand. Thus, as at 31 December 2022 the write-down in inventories amounts to DKK 36,996 thousand.

At 31 December 2022, Management has in addition recongised a provision related to onerous customer contracts of DKK 10,476 thousand where the unavoidable costs of fulfilling the obligations under the contract exceed the contract amount. The separate provision is only recognised in excess of any write-down made on dedicated electrolysers included in inventory as described above.

When determining whether a contract is loss-making, the Company includes costs that are incremental such as costs for material and labour as well as an allocation of costs directly related to contract activities.

Critical accounting judgements

Key accounting judgements are made when applying accounting policies. Key accounting judgements are the judgements made by the Company that can have a significant impact on the amounts recognised in the financial statements.

Revenue recognition
When the customer contracts include multiple promises to be delivered to the customer, Management identifies the performance obligations included in the contract. Contracts for delivery of electrolysers do normally also include commissioning of the equipment on the customer's location and on-site maintenance and remote monitoring and support as part of a multi-year service agreement. Under IFRS 15, each distinct good or service that an entity promises to transfer is a performance obligation.

Judgement is particularly required to determine whether the delivery of electrolysers and the related commissioning service are separete performance obligations within the context of the contract. The customer is considered being able to benefit from the commissioning together with the electrolyser already provided under the contract and the promises are therefore capable of being distinct. However, consideration is especially given as to whether the commissioning significantly integrates, customises or modifies the electrolyser delivered to the customer. From this consideration, Management has concluded that delivery of electrolyser and commissioning are separate performance obligations.

Depending on the terms of the individual contract, control is assessed to have transferred to the customer when either the factory acceptance test or site acceptance test sucessfully has been completed. Given the specific contractual terms and conditions this is the point in time where:

- the customer has accepted the electrolyser,
- the customer has accepted transfer of title related to the electrolyser,
- the customer has obtained physical possession of the electrolyser,
- the customer has the significant risks and rewards of ownership.

Development costs
The Company capitalises costs for development projects. Initial capitalisation of costs is based on Management's judgement that technological and economic feasibility is confirmed, usually when a development project has reached a defined milestone. In determining the amounts to be capitalised, Management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Note 3

Operating segments

Green Hydrogen Systems A/S serves one segment, which is inherent in the way Executive Management considers and operates the Company. The costs related to the main nature of the business, being development and production of electrolysers for on-site hydrogen production, are not attributable to any specific revenue stream or customer type and are therefore borne centrally. The results of the single reporting segment, comprising the entire company, are shown in the statements of comprehensive income.

The Executive Management is the Chief Operating Decision Maker (CODM), which is made up of the senior leadership across the respective functional areas and is responsible for the strategic decision-making and monitoring of the operating results of the single operating segment for the purpose of performance assessment. Segment performance is evaluated by the CODM based on profit or loss for the single segment and is measured consistently with profit or loss in the Financial Statements of the Company.

The CODM furthermore monitors revenue based on the geography (based on the location of the respective customers), product offering and application.

Note 3

Operations segments (continued)

Revenue is derived in the following countries (based on customer location)

DKK '000	2022	2021
Denmark	368	899
Sweden	2,249	1,490
Norway	7,289	0
Other	516	2,783
Total Revenue	**10,422**	**5,172**

Revenue of DKK 2,142 and 7,289 thousand, respectively, are derived from two external customers in 2022. Revenue of DKK 2,519, 1,490 and 657 thousand, respectively, are derived from three external customers in 2021.

Non-current operating assets consist of intangible assets (primarily development projects), property, plant and equipment and right-of-use assets are all geographically located in Denmark.

Note 4

Revenue from contracts with customers

The following table displays revenue by product offering:

DKK '000	2022	2021
Product revenue	9,711	4,931
Service and other revenue	711	242
Total revenue by product offering	**10,422**	**5,172**
Revenue recognised at a point in time	9,711	4,931
Revenue recognised over time	711	242
	10,422	**5,172**

Information about revenue derived from individual countries has been included in note 3.

Note 5

Employee costs

DKK '000	2022	2021
Wages and salaries	160,927	81,041
Pensions, defined contribution plans	19,965	9,558
Share-based payment	2,390	16,033
Other social security costs	2,363	1,078
Other employee costs	3,668	664
	189,313	**108,374**
Average number of employees	242	110

Key management compensation

Key management consists of Executive Management and Board of Directors.

The compensation paid or payable to key management for employee services is shown below:

DKK '000	Executive Management	Board of Directors	Total key management personnel
2022			
Wages, salaries and board fees	8,285	4,182	12,467
Pensions, defined contribution plans	652	0	652
Share-based payment	3,806	0	3,806
Total remuneration	**12,743**	**4,182**	**16,925**
2021*			
Wages, salaries and board fees	6,572	4,259	10,831
Pensions, defined contribution plans	494	0	494
Share-based payment	6,575	838	7,413
Total remuneration	**13,641**	**5,097**	**18,738**

* The company's CFO was registered as managing director in the Central Business Register in the period 1 March to 18 August. The full year remuneration related to the company's CFO is included.

Note 6

Depreciation and amortisation

DKK '000	2022	2021
Amortisation of intangible assets	13,523	6,303
Depreciation on property, plant and equipment	14,761	4,755
Depreciation on right of use assets	5,509	3,825
	33,792	**14,883**

Note 7

Share-based payment plans

The Company operates various share-based incentive programs comprising of:
• Performance Share Units program (PSU)
• Restricted Stock Units program (RSU)
• Warrant program

Performance Share Units program

In 2022, the Company introduced a Long-Term Incentive (LTI) plan for the Executive Management and key employees for the purpose of driving value creation and rewarding the participants for dedicated and focused results in driving the Company's long-term performance and sustainability aligned with the value created and strategic ambitions. Participation in the program is at the discretion of the Board of Directors.

Under the LTI, the participants are granted a number of Performance Share Units (PSUs) free of charge, which are vesting over a period of three years. Vesting of the PSUs is subject to the participant's continued employment with the Company. The number of PSUs actually vesting depends on the fulfillment of predetermined performance metrics in respect of revenue targets. The majority of the PSUs were granted in April 2022.

The participants do not receive any dividends and are not entitled to vote in relation to the PSUs during the vesting period.

Upon vesting, each PSU will automatically convert into one ordinary share of the Company of a nominal value of DKK 1 at an exercise price of nil. The grant date fair value is recognised as an expense over the 3-year vesting period.

Note 7

Share-based payment plans

The table below shows the PSUs granted and outstanding at the beginning and end of the year:

DKK '000	2022	2021
Outstanding at 1 January	0	0
Granted during the period	111	0
Forfeited during the periode	(15)	0
Outstading at 31 December	**97**	**0**
Weighted average remaining contractual life of the PSUs outstanding at end of period	2.3 years	-

PSUs granted in 2022 have a weighted average fair value of 27.71 DKK per PSU. The fair value of the rights corresponds to the grant date fair value of the Company's ordinary share, as no dividend is expected to be distributed during the vesting period. 24,811 of the granted PSUs in 2022 were to a member of the Executive Management.

Restricted Stock Units program

The RSU program was introduced on 1 November 2020 and involved the CEO. The program entitles the CEO to receive shares in the Company, without consideration, at the time the currently controlling shareholder, does no longer hold any shares in the Company (exit). The CEO is entitled to receive shares corresponding to 0.75% of the share capital at the time of exit. The program is contingent on the CEO still being employed at the time of exit. The participant in the RSU programme is not entitled to receive dividend during the vesting period.

The grant date fair value of the RSU program was DKK 7,395 thousand (based on 750,000 shares expected to be provided) of which DKK 3,548 thousand was recognized in the income statement for 2022 (2021: DKK 3,602 thousand). The cost is recognized on a straight-line basis, as the services are rendered, over the expected service period.

No RSUs have been granted during the year (2021: zero).

Warrant program

In 2020, the Company established a warrant program to members of the Board of Directors, Executive Management and selected key employees. The program was established with the purpose to create a further incentive for the participants to work for and contribute to future value added to the Company, thus creating a positive development in the market value of the Company's share.

Note 7

Share-based payment plans (continued)

Under the program, the participants were granted warrants in the Company for no consideration, which entitled the warrant holder to subscribe for A-shares in the Company of a nominal value of DKK 1. The warrants were vesting over a period of two years, proportionally once a year unless vesting earlier in connection with an Exit-event. At the occurrence of the Company's IPO in June 2021, all warrants fully vested conditional on the holder's employment with the Company was not terminated. All vested warrants are exercisable only until the expiration date as specified in the table further below.

Warrants provided to management were subject to a lock-up arrangement and were exercisable until 360 days after the exit-event. That condition was added in 2021 resulting in an insignificant revaluation of the warrants.

The cost of the warrant program has been recognised over the vesting period considering the impact of accelerated vesting at the time of exit.

Upon the warrant holder's exercise, the Company is entitled to demand a cash settlement of the warrant, so that instead of the warrant holder subscribing for and receiving shares in the Company, the warrant holder will receive a cash settlement in an amount equal to the net value of the warrant. The warrant program has been classified as an equity-settled program. However, Upon expiration of the lock-up period in June 2022 the Company made a one-time offer to settle part of the warrants in cash based on the Company's share price on 12 July 2022 less the exercise price. In that connection, the related warrants were reclassified from being equity-settled to being cash-settled for which a liability of DKK 11,073 thousand was recognized with a corresponding entry to equity. The fair value at reclassification date amounting to DKK 11,073 thousand was recognized directly in equity. As of 12 July 2022, the fair value of the liability amounts to DKK 8,790 thousand. The fair value adjustment of DKK 2,283 thousand was recognized in employee costs. The remaining warrants were exercised in July 2022 and were settled in shares.

Set out below are summaries of warrants granted, all under the same conditions:

	Weighted average exercise price per warrant		Number of warrants (thousand)		Weighted average fair value per warrant (determined on grant date)	
DKK '000	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
As at 1 January	2.47	2.47	1,935	3,388	8	
Granted during the year	0	2.47	0	133	0	11
Exercised during the year	2.47	2.47	(1,935)	(1,453)	8	7
Forfeited during the year	0	2.47	0	(133)	0	7
As at 31 December	**0**	**2.47**	**0**	**1,935**	**0**	**8**
Vested and exercisable at 31 December	0	0	0	0	0	0

For warrants exercised during 2022, the weighted average share price at the date of exercise was DKK 14.1 (2021: DKK 40). The weighted average exercise prices of warrants exercised during 2022 were DKK 2.47 (2021: DKK 2.47).

Note 7

Share-based payment plans (continued)

Warrants outstanding at the end of the year have the following expiry date and exercise prices:

		Exercise price		Warrants (thousand)	
	Expiry date	**2022**	**2021**	**2022**	**2021**
Grant date					
21 August 2020	28 August 2029	0	2.47	0	265
21 August 2020	31 December 2029	0	2.47	0	796
21 August 2020	25 February 2030	0	2.47	0	265
1 September 2020	31 August 2030	0	2.47	0	198
1 November 2020	31 December 2030	0	2.47	0	276
1 February 2021	31 January 2031	0	2.47	0	133
		0	2.47	0	1,935
Weighted average remaining contractual life of warrants outstanding at the end of period (years)		**0**	**8.07**	**0**	**0**

The fair value at grant date is determined using a Black-Scholes Model calculation that takes into account the share price at grant date, the exercise price, the risk free interest rate for the term of the warrants, the expected volatility and the term of the warrant (the expected maturity).

The average model inputs for the warrants granted during the year ended 31 December 2021 included:

- **a.** Share price at grant date: DKK 13.30
- **b.** Exercise price: DKK 2.47
- **c.** Expected price volatility of class-A shares: 82.60%
- **d.** Risk-free interest rate: -0.53%
- **e.** Expected maturity: 0.39 years
- **f.** Probability of Exit: 1.00

The expected price volatility was based upon an analysis of the historical volatility of peer-group public companies and factors specific to Green Hydrogen Systems A/S. The share price of the class A-share was determined using interpolation between two data points related to actual capital transactions that occurred in 2020. The same price was used for the grant in February 2021 as the asumptions have not changed between the grant dates.

The expected maturity corresponded to the expected number of years until the occurrence of an exit event. The expected likelihood of the occurrence of an exit event was taking into account in determining the fair values of the grants.

Total expenses arising from share-based payment transactions

Total share-based payment expense recognised in the income statement for the period were:

DKK '000	2022	2021
Equity-settled programs		
Warrant program	0	12,431
RSU program	3,547	3,602
PSU-program	1,125	0
Total expense for equity-settled programs	**4,672**	**16,033**
Cash-settled programs		
Warrant program	(2,282)	0
Total expense for cash-settled programs	**(2,282)**	**0**
Total share-based payment expense	**2,390**	**16,033**

The amount for equity-settled share-based payment programs recognised in equity relates to:

DKK '000	2022	2021
Total share-based payment expense for equity-settled programs	(4,672)	16,033
Reclassifying warrant program to be cash-settled	11,073	0
Total amount recognised in equity	**6,401**	**16,033**

Note 8

Other operating income and deferred income

DKK '000	2022	2021
Government grants	3,330	1,584
Gains on disposals of property, plant and equipment and leases	0	798
Total	**3,330**	**2,382**
Government grants recognised within other operating income relate to the following:		
Government grants related to income	1,985	391
Government grants related to assets, amortized	1,345	1,193
Total	**3,330**	**1,584**

Government grants received but which have not yet been recognised in the income statement are presented as deferred income. The movement in the balance of deferred income is as follows:

DKK '000	2022	2021
Government grants at beginning of period	31,614	3,239
Grants received	5,013	29,959
Grants recognised as income	(3,330)	(1,584)
Government grants as of 31 December	**33,297**	**31,614**

Government grants related to income
Government grants related to income are recognized corresponding to the costs eligible for grants. This is typically research and development costs that do not meet the criteria for capitalization. There can be unfulfilled conditions or other contingencies attached to these grants. Such unfulfilled conditions or other contingencies relates to the formal requirements such as finalizing the grant project and reporting to grantor.

Government grants related to assets, amortized
Government grants related to assets, amortized are grants related to eligible costs that are capitalized as development projects. Recognition is linear over the amortization period of the corresponding assets. There are typically no unfulfilled conditions or other contingencies attached to these grants.

The Company did not benefit directly from any other forms of government assistance.

DKK '000	2022	2021
Government grants receivable recognised in other operating income, and presented within other receivables in the balance sheet	0	0

Note 9

Other operating expenses

DKK '000	2022	2021
Sales and marketing costs	6,145	2,853
Administration costs	16,885	11,048
Consultancy services costs	25,106	29,482
Other general costs	32,283	21,776
Total	**80,418**	**65,159**

Consultancy services costs incurred in 2022 amounting to DKK 0 thousand (2021: 11,951) relate to non-recurring cost for external consultants in respect of raise of funding and market research. Other general costs relating to external services and equipment have increased over the period due to the increase of business activities and number of employees.

Note 10

Financial income

DKK '000	2022	2021
Interest income	83	308
Foreign exchange rate gains	206	329
Total	**289**	**637**

Note 11

Financial expenses

DKK '000	2022	2021
Interest expense on borrowings	(2,954)	(18,174)
Interest expense on lease liabilities	(443)	(1,532)
Other financial costs	(1,462)	0
Interest on financial liabilities measured at amortised cost	**(4,860)**	**(19,706)**
Fair value loss on derivatives at fair value through profit or loss	0	(317,489)
Foreign exchange rate losses	(278)	(348)
	(278)	**(317,837)**
Of which capitalized	0	1,868
Other financial expense	(0)	0
	(5,138)	**(335,675)**

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applied to the Company's general borrowings during the year, in this case 0 % (2021: 25 %) The Company has not obtained specific borrowings for the purpose of financing its development projects.

Fair value loss on derivatives at fair value through profit or loss amounting to DKK -317 million in 2021 related to an expected non-cash fair value adjustment mechanism derived from the convertible loan facility entered in December 2020.

Note 12

Tax on profit for the period

DKK '000	2022	2021
Current tax on profits for the period	5,500	5,500
Deferred tax	0	0
	5,500	**5,500**
Aggregate current and deferred tax arising in the year and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: Share-based payment	0	0
Reconciliation of effective tax rate		
Calculated 22.0% tax on loss for the period before income tax	(63,319)	(109,642)
Calculated 22.0% tax on loss for Other comprehensive income for the year	(5,276)	(478)
Tax effects of:		
Permanent differences between tax and accounting purposes:		
Non-deductible part of consultancy services, cf. note 9	0	2,018
Fair value adjustments, cf. note 11	0	69,848
Other	(10,673)	3,615
Change in unrecognized deferred tax asset	73,768	29,139
	63,095	104,620
Income tax as included in the statement of profit or loss	(5,500)	(5,500)
Effective tax rate	**2%**	**1%**

Current tax on losses for the periods are originating from the tax credit scheme for research and development costs, under which the tax value of accumulated tax losses up to DKK 25 million are paid to the Company.

Note 13

Intangible assets

Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are included in the income statement within their relevant nature. In 2022, this amounted to DKK 32,802 thousand (2021: DKK 7,172 thousand).

Development projects in progress includes the Company's ongoing developement activities realted to electrolysers and electrods. Development projects in progress are not amortised but are tested for impairment annually. There have been no impairments related to these in progress development projects for 2022 (2021: nill). DKK 73,165 thousand relate to the development of the A-series electrolysers and DKK 56,571 thousand relate to the development of the X-series electrolysers.

DKK '000	Completed development projects	Other intangibles	Development projects in progress	Total
Cost:				
At 1 January 2021	5,511	1,518	11,899	18,928
Additions during the year	0	3,905	44,852	48,757
Transferred	25,908	0	(25,908)	0
At 31 December 2021	**31,419**	**5,423**	**30,843**	**67,685**
Accumulated amortisation and impairment:				
At 1 January 2021	(1,837)	(632)	0	(2,469)
Amortisation for the year	(5,054)	(1,249)	0	(6,303)
At 31 December 2021	**(6,891)**	**(1,881)**	**0**	**(8,772)**
Carrying amount 31 December 2021	**24,528**	**3,542**	**30,843**	**58,913**
Cost:				
At 1 January 2022	31,419	5,423	30,843	67,685
Additions during the year		4,740	123,833	128,573
At 31 December 2022	**31,419**	**10,163**	**154,676**	**196,258**
Accumulated amortisation and impairment:				
At 1 January 2022	(6,891)	(1,881)	0	(8,772)
Amortisation for the year	(10,473)	(3,050)	0	(13,523)
At 31 December 2022	**(17,364)**	**(4,931)**	**0**	**(22,295)**
Carrying amount 31 December 2022	**14,055**	**5,232**	**154,676**	**173,962**

Note 14

Property, plant and equipment

DKK '000	Plant and machinery	Leasehold improve-ments*	Other fixtures and fittings, tools and equipment	Buildings	Real estate and similar rights	Assets under construction	Total
Cost:							
At 1 January 2021	0	10,198	11,043	0	0	0	21,241
Additions during the year	7,014	0	12,684	78,885	11,550	35,284	145,417
Transferred	8,487	(10,198)	(8,406)	10,117	0	0	0
At 31 December 2021	**15,501**	**0**	**15,322**	**89,002**	**11,550**	**35,284**	**166,658**
Accumulated amortisation and impairment:							
At 1 January 2021	0	(55)	(551)	0	0	0	(606)
Depreciation for the year	(1,983)	0	(1,764)	(1,008)	0	0	(4,755)
Transferred	0	55	(55)	0	0	0	0
At 31 December 2021	**(1,983)**	**0**	**(2,370)**	**(1,008)**	**0**	**0**	**(5,361)**
Carrying amount 31 December 2021	**13,518**	**0**	**12,951**	**87,994**	**11,550**	**35,284**	**161,297**
Cost:							
At 1 January 2022	15,501	0	15,322	89,002	11,550	35,284	166,658
Additions during the year	1,446	0	23,936	7,061	3,631	131,630	167,705
Disposals during the year	(139)	0	492	(10)	0	0	343
At 31 December 2022	**16,808**	**0**	**39,750**	**96,053**	**15,181**	**166,914**	**334,706**
Accumulated amortisation and impairment:							
At 1 January 2022	(1,983)	0	(2,370)	(1,008)	0	0	(5,361)
Depreciation for the year	(4,690)	0	(7,601)	(3,125)	0	0	(15,416)
Disposals during the year	139	0	(492)	(10)	0	0	(343)
At 31 December 2022	**(6,534)**	**0**	**(10,463)**	**(4,123)**	**0**	**0**	**(21,120)**
Carrying amount 31 December 2022	**10,274**	**0**	**29,287**	**91,930**	**15,181**	**166,914**	**313,586**

* Transferred leasehold improvements relate to improvements and fittings on leased buildigs that was purchased during the year.

Note 15

Financial assets at fair value through other comprehensive income

DKK '000	31 December 2022	31 December 2021
Cost at January 1	694,465	0
Additions for the year	103,367	699,959
Disposals for the year	(21,699)	(5,494)
Cost at December 31	**776,133**	**694,465**
Accrued interest January 1	(800)	0
Accrued for the year	(4,139)	(800)
Accrued interest	**(4,939)**	**(800)**
Fair value adjustment at January 1	(2,171)	0
Fair value adjustment for the year	(23,981)	(2,171)
Fair value adjustment at December 31	**(26,152)**	**(2,171)**
Net book value at December 31	**745,042**	**691,494**
Financial assets at fair value through other comprehensive income		
Non-current assets	562.443	691.494
Current assets	182.600	0
	745.042	**691.494**

During the year, the following gains and losses were recognised in the income statement and other comprehensive income related to the Company's financial asset at fair value through other comprehensive income:

DKK '000	31 December 2022	31 December 2021
Listed bonds		
Gains / losses recognised in other comprehensive income	(23,981)	(2,171)
Interest expence from investments held at fair value through other comprehensive income recognised in the income statement	(1,290)	(800)
	(25,271)	(2,971)

Note 16

Deferred tax

As of 31 December 2022, the Company has a deferred tax asset of DKK 116,891 thousand (2021: DKK 43,123 thousand) which has not been recognised in the balance sheet. The deferred tax asset include tax losses to be carried forward of DKK 637,134 thousand (2021: DKK 237,649 thousand) which is the result of previous years' taxable income. The tax loss carry-forwards are available indefinitely for offsetting against future taxable profits of the Company. Due to uncertainties regarding future utilisation, the Company has decided not to recognise net deferred tax assets and tax asset on the tax losses carried forward.

DKK '000	31 December 2022	31 December 2021
Intangible assets	(37,208)	(12,181)
Deferred income	7,325	1,793
Inventories	8,043	3,829
Right of use assets	(1,732)	(1,812)
Lease liabilities	1,845	1,713
Tax losses carried forward	140,170	52,283
Other	(1,552)	(2,502)
	116,891	43,123
Deferred tax asset not recognized in the balance sheet	116,891	43,123
Deferred tax asset	**0**	**0**

Note 17

Leases

The Company's lease agreements relate primarily to leases of properties, furniture and vehicles. Leases of vehichles are typically made for fixed periods of 3-4 years and do normally not include extension options. Leases of properties are negotiated on an individual basis and contain a wide range of different terms and conditions. The property leases are in general of a short-term nature.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

DKK '000	31 December 2022	31 December 2021
Right-of-use assets		
Properties	2,071	3,730
Vehicles	4,065	3,480
Furniture	1,739	1,025
	7,875	**8,235**
Lease liabilities		
Current	3,440	3,460
Non-current	4,560	3,938
	8,000	**7,398**
Additions to the right-of-use assets were	5,492	3,296
Disposals to the right-of-use assets were	1,105	0

Additions to the right-of-use assets do not include leased properties that was leased in the beginning of 2021 and then during the year was purchased.

The statement of profit or loss shows the following amounts relating to leases:

DKK '000	2022	2021
Depreciation charge of right-of-use assets		
Properties	(4,733)	(1,473)
Vehicles	(2,500)	(1,417)
Furniture	(471)	(67)
	(7,705)	**(2,957)**
Interest expense (included in finance expenses)	443	1,532
Expense relating to short-term leases (included in other operating expenses)	932	863
The total cash outflow for leases	5,922	7,052

A matirity analysis of lease payments has been inlcuded in note 23.

The total future undiscounted cash outflows relating to leases that have not yet commenced amount to DKK 8,696 thousand (2021: DKK 4,601 thousand), which falls due as follows:

	Less than 1 year		Between 1 and 5 year		More than 5 years		Total	
DKK '000	2022	2021	2022	2021	2022	2021	2022	2021
	622	1,481	2,680	2,615	0	505	3,302	4,601

Note 18

Inventory

DKK '000	31 December 2022	31 December 2021
Inventory		
Raw materials	115,022	45,099
Work in progress	54,982	24,432
Finished goods	0	3,892
Total	**170,004**	**73,423**

The costs of individual items of inventory are determined using the FIFO-principle.

Inventories recognised as an expense during the year ended 31 December 2022 amounted to DKK 99,556 thousand (2021: DKK 57,323 thousand). These were included in "changes in inventory of finished goods and work in progress" and "raw materials and consumables used".

Write-downs of inventories to net realisable value amounted to DKK 36,993 thousand (2021: DKK 17,402 thousand). These were recognised as an expense during the period and included in "changes in inventory of finished goods and work in progress". The amount for 2022 includes write-downs of inventory items that are dedicated to fulfill customer contracts of DKK 26,493 (2021: DKK 17,402 thousand). Further information is provided in note 2.

Note 19

Trade receivables

DKK '000	31 December 2022	31 December 2021	1 January 2021
Trade receivables	10,861	3,681	4,052

Trade receivables are amounts due from customers for delivery of electrolysers and services provided in the ordinary course of business. Payments are generally due for settlement within 30 days after invoice date, and are therefore all classified as current.

Due to the short-term nature of the current receivables, their carrying amount is considered to approximate their fair value.

The Company's customers are generally large international industrial companies with the adequate ressources and capital available for investing in electrolysers and in the most recent green technology as provided by the Company. The customers does therefore normally have a high credit quality.

The Company's contracts for delivery of electrolysers include milestone payments. At time of delivery, the Company has normally received prepayments of up to 90% of the total consideration, which naturally reduces the credit risk on the remaining amout outstanding. Customers are evaluated induvidually and if there are any doubts about the customers solvency is the Company's policy to evaluate the customer's credit rating provided by external credit rating agencis, prior to entering into a binding sales agreement, In addition, The Company has historically not incurred any material losses from trade receivables. The existence of pandemics is not expected to have any significant impact on the Company's expected credit losses.

On that basis, Managment has concluded that the Company's credit risk from trade receivables is not material, and has therefore not recognised any significant allowance for expected credit losses related to trade receivables.

Note 20

Contract balances

The Company has recognised the following assets and liabilities related to contracts with customers:

DKK '000	31 December 2022	31 December 2021
Trade receivables	10,861	3,681
Contract liabilities	41,428	27,576

As described above in note 19, the Company receives milestone payments from the customers before delivery of electrolysers. Milestone payments received are recognised as contract liabilities until revenue is recognised.

The amount of contract liabilities has increased compared to previous years in line with the Company's increased activities, whereby the Company has received prepayment from new contracts on large projects.

The contract balances primarily relates to delivery of electrolysers, where prepayments have been received from the customers but where control has not yet been transferred to the customer. DKK 2,485 thousand of the opening balance of contract liabilities in 2022 have been recognised during the year (2021: 4,200).

Amount of the transaction price allocated to delivery of electrolysers, commissioning of the equipment and service agreement is DKK 134 million. Management expects that 80-90% of the transaction price allocated to remaining performance obligations as of 31 December 2022 will be recognised as revenue during the next reporting period (2023). The remaining 10-20% will be recognised in the financial year of 2024 to 2028. For contracts with a duration of 1 year or less the aggregate amount of transaction price allocated to performance obligations that are unsatisfied as of the end of the reporting period, has not been disclosed in accordance with the practical expedient in IFRS 15. As the Company's contracts for delivery of electrolysers in 2022 had a duration of one year or less the aggregate amount of transaction price allocated to performance obligations that were unsatisfied as of the end of the reporting period, has not been disclosed in accordance with the practical expedient in IFRS 15.

The transaction price allocated to unsatisfied service and maintenance contracts that are billed based on time incurred are not disclosed as permitted under IFRS 15.

Note 21

Share capital

	31 December 2022		31 December 2021	
DKK '000	Number of shares	Nominal value (DKK)	Number of shares	Nominal value (DKK)
The share capital comprise:				
A-shares	83,166	83,166	81,987	81,987
Share capital (fully paid)	**83,166**	**83,166**	**81,987**	**81,987**

All shares have nominal value of DKK 1. All shares issued are fully paid. Each share carry one vote.

	A-Shares	
	31 December 2022	31 December 2021
DKK '000	Number of shares	Number of shares
Changes in share capital		
Opening balance	81,987	10,231
Capital increase, cash	0	31,682
Exercise of warrants, cash	1,179	1,453
Conversion of loan into shares	0	12,047
Conversion of shares	0	26,574
Total	**83,166**	**81,987**

Note 21

Share capital (continued)

No dividends have been declared or paid out for 2022 or 2021.

In 2021, the B shares, which carried certain special rights, were converted into A shares at a conversion rate of 1:1.

In connection with the IPO, the Company incurred in 2021 transaction cost for advisory, fees to investment bankers etc. amounting to DKK 115 million of which DKK 92 million were deducted to equity.

Note 22

Borrowings

The Company's borrowings consist of the following:

DKK '000	31 December 2022	31 December 2021
Secured borrowings	500,000	0
Total borrowings	**500,000**	**0**
Current	500,000	0
Non-current	0	0
Total borrowings	**500,000**	**0**

At 31 December 2022, the Company's borrowings amount to DKK 500 million (2021: DKK 0) which are related to the repurchase agreement (repo) the Company entered into during 2021 involving its holdings of listed bonds.

The secured borrowings in the repo are denominated in DKK and carry a variable interest rate (repo rate). Generally the borrowings have a maturity of 1 month, which though may be up to 12 months. Thus, the secured borrowings are all classified as current liabilities in the balance sheet.

As substantially all of the risk and rewards of ownership of the bonds have retained with the Company, these are not derecognised. The Company therefore continues to recognise the transferred assets in their entirety in the balance sheet. The Company considers that the 'held to collect and selling' business model remains appropriate for these financial assets and continues therefore to measure them at fair value through other comprehensive income.

At 31 December 2022, the carrying amount of the listed bonds transferred under the repo amounts to DKK 500 million (2021: DKK 0).

Note 23

Financial risk management

Financial risk factors

Exposure to financial risk is an embedded part of doing business. This includes risks from financial instruments to which the Company is exposed, and which can have an impact on the Company's financial statements.

The Company's financial liabilities comprise primarily of secured borrwings, lease liabilities and trade payables. The main purpose of the financial liabilities is to finance the Company's operations.

The Company's financial assets include primarily trade receivables, investment in listed bonds and cash.

The financial risks that the Company is exposed to include credit and liquidity risk as well as market risk related to changes in market interest rates. All of the Company's holdings of bonds are traded in established markets.

The Company's exposure to those risks, including our objectives, policies and processes for managing those risks are described below.

There has been no change in the Company's financial risk management policies compared to last year.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk is primarily related to the cash balances deposited with banks, investment in listed bonds as well as secured borrowings.

The securities in which the Group has invested bear interest rate risk, as a change in market derived interest rates may cause fluctuations in the fair value of the investments.

To control and minimize the interest risk, the Company maintains an investment portfolio in a variety of securities with a relatively short effective duration with both fixed and variable interest rates.

As of 31 December 2022, the portfolio has an average effective duration of approximately 1,2 years (2021: 2.7 years) and no securities have an effective duration of more than 3 years (2021: 4 years), which means that a change in the interest rates of one percentage point will cause the fair value of the securities to change by approximately 2.5% (2021: 3.7%). Due to the short-term nature of the current investments, we consider our current exposure to changes in fair value due to interest rate changes to be insigificant compared to the fair value of the portfolio.

DKK '000	2022	2021
Years of maturity		
2023	184,656	192,111
2024	356,667	269,410
2025	95,500	104,288
2026	112,689	125,685
Total	**749,511**	**691,494**

It is the Company's policy not to hedge its exposure to interest rate risk.

Sensitivity from changes in interest rates:
A reasonably possible change in the market interest rate compared to the interest rates as of the end of the reporting period will have the following hypothetical impact on profit after tax and equity:

DKK '000	Impact on post tax profit	Impact on equity
2022		
Interest rate - increase of 100 basis points	5,613	(2,332)
Interest rate - decrease of 100 basis points	(5,613)	2,544
2021		
Interest rate - increase of 100 basis points	(8,322)	(7,924)
Interest rate - decrease of 100 basis points	8,658	9,066

Note 23

Financial risk management (continued)

The sensitivity analysis is based on the assumption that all other variables and exposures remains constant. The impact on post tax profit is based on those financial instruments that were recognised at the respective balance sheet dates. The sensitivity analysis does not consider impact from repayments and other changes in borrowings made during the year. Part of the financial assets are floting interest bonds and a change in interest rate is expected to only have an insignificant impact on fair value. Instead the interest payments will change by approximately DKK 4,700 thousand and impact on profit or loss.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a balance sheet exposure will fluctuate because of changes in foreign exchange rates.

The Company primarily generates its sales in DKK and EUR. Purchases are also primarily made in DKK and EUR; with only minor purchases made in USD. As the DKK is pegged against the EUR, the Company's exposure to changes in the DKK/EUR exchange rate is insignificant.

The Company's exposure from movement in the DKK/USD exchange rate is considered immaterial.

Credit risk

Credit risk arises primarily fro m the Company's cash position, investment in listed bonds as well as credit exposures from outstanding receivables from customers. The sensitivity analysis is based on the assumption that all other variables and exposures remains constant.

The Company's exposure and policy for managing credit risk from trade receivables has been described in note 19.

The Company has a significant counterparty risk related to deposit with banks, as the Company's cash balance at 31 December 2022 amounts to DKK 95,340 thousand (2021: DKK 266,924 thousand). To mitigate this risk, the Company only enters into money market deposits with financial counterparties possessing a satisfactory long-term credit rating from an internationally recognized agency (credit rating of minimum A-). Furthermore, maximum credit lines defined for each counterparty diversify the overall counterparty risk.

In addition, the Company is exposed to credit risk from its investment in listed bonds, which including interest receivables amouts to DKK 749,511 thousand as at 31 December 2022 (2021: DKK 691,494 thousand). To manage and reduce credit risks on bonds, the Company's policy is to ensure only securities from investment grade issuers are eligible for our portfolios. No issuer of bonds can be accepted if it is not assumed that the credit quality of the issuer would be equal to a AAA-rating.

The carrying amounts represent the maximum credit exposure.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

The Company’s policy is to secure adequate liquidity to always meet the planned future financial and operational payment obligations for minimum the next 12 months period. The company has a liquidity position of DKK 95,340 thousand. The company monitors the liquidity risk through follow up against plans. In addition, the Company has placed its excess cash holdings in listed bonds, which are considered being part of its capital ressurces. It is the Company's intention to hold the bonds until maturity, but are however available for sale if necessary. In addition to increase the flexibility of the Company's catpial ressources the Company has entered into a repurchase agreement (repo), which covers all of the Company's listed bonds.

Note 23

Financial risk management (continued)

Maturity analysis.
The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

DKK '000	Less than 1 year	Between 1 and 5 year	More than 5 years	Total
As at 31 December 2022				
Non-derivatives				
Borrowings	500,000	0	0	500,000
Trade payables	65,127	0	0	65,127
Lease liabilities	3,440	4,560	0	8,000
	568,566	**4,560**	**0**	**573,126**
Derivatives				
Exit-payment	3,000		0	3,000
	3,000	**0**	**0**	**3,000**
As at 31 December 2021				
Non-derivatives				
Borrowings, current and non-current	0	0	0	0
Trade payables	42,850	0	0	42,850
Lease liabilities	3,460	3,938	0	7,398
Total non-derivatives	**46,310**	**3,938**	**0**	**50,247**
Derivatives				
Exit-payment	3,000	0	0	3,000
Total derivatives	**3,000**	**0**	**0**	**3,000**

The exit-payment derivative was included in other payables in the balance sheet as of 31 December 2022 and 2021.

The maturity analysis is based on the following assumptions:

- The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments). Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.
- The exit-payment derivatives are presented with their maximum amount payable and within the time-band the potential payments could earliest possibly occur.
- Payments for lease liabilities includes only lease agreements which have commenced before the end of the reporting period.

Note 23

Financial risk management (continued)

DKK '000	31 December 2022	31 December 2021
Financial assets and liabilities per measurement category		
Financial assets		
Finacial assets at fair value through other comprehensive income		
Listed bonds	745,042	691,494
	745,042	**691,494**
Financial assets at amortised cost:		
Trade receivables	10,861	3,681
Cash and cash equivalents	95,340	266,924
Total	**106,202**	**270,605**
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Exit-payment derivative	3,000	3,000
Total	**3,000**	**3,000**
Financial liabilities at amortised cost:		
Trade payables	65,127	42,850
Borrowings, current and non-current	500,000	0
Lease liabilities, current and non-current	8,000	7,398
Total	**573,127**	**50,247**

Measurement and fair value hierarchy
This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards. The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

DKK '000	31 December 2022	31 December 2021
Recurring fair value measurements		
Financial assets at fair value through other comprehensive income:		
Listed bonds	745,042	691,494
Total financial assets - level 1	745,042	691,494
Financial liabilities measured at fair value		
Exit-payment derivatives	3,000	3,000
Total financial liabilities - level 3	**3,000**	**3,000**

For financial assets and liabilities of short-term nature, such as trade receivables and trade payables, the carrying amount approximates their fair value. For borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is close to current market rates.

Exit-payment derivatives
The fair value of the exit-payment derivatives were based on the probability weighted discounted cash flows reflecting possible triggering events, the probability and expected timing. In 2022 and 2021 the discounted cash flows are considered insignificant and the liability is included 100%.

An increase in the probability weighted time to maturity will reduce the fair value of the exit-payment liability. However, Management did at the end of the reporting period for 2022 and 2021 not consider any significant change in the

Note 23

Financial risk management (continued)

expected maturity to be a realistic alternative. The probability weighted cash flows reflected the maximum amount payable, which Management considers being the most realistic outcome.

The recurring fair value measurement required for the Company's financial liabilities are monitored by Management. The significant unobservable inputs are based updated at least by the end of each reporting period to reflect Management's most recent expectations. The has been no change in the valuation technique compared to previous years.

The were no changes in level 3 items during the year. The following table presents the changes in level 3 items for 2021:

DKK '000	Conversion option liability	Exit-payment derivatives	Total
Opening balance 1 January 2021	**4,591**	**3,410**	**8,001**
Gains recognised in financial income*	0	(410)	(410)
Fair value losses recognised in financial expenses	317,489	0	317,489
Exercise	(322,080)	0	(322,080)
Closing balance 31 December 2021	**0**	**3,000**	**3,000**
* includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period	0	(410)	(410)

The conversion option liability was related to a convertible loan from 2020, which was converted in 2021.

Note 24

Earnings per share

DKK '000	2022	2021
Net loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**(282,316)**	**(492,871)**
Basic earnings per share:		
Issued ordinary shares, beginning of period	81,987	36,805
Effect of shares issued, weighted-average	559	25,995
Weighted-average number of ordinary shares used as the denominator in calculating basic earnings per share	82,546	62,800
Basic earnings per share for loss attributable to the ordinary equity holders of the Company	**(3.42)**	**(7.85)**
Diluted earnings per share for loss attributable to the equity holders of the Company	**(3.42)**	**(7.85)**

The calculation of diluted earnings per share does not include potential ordinary shares that are anti-dilutive.

Note 25

Provisions

DKK '000	Onerous contracts	Warranty	Total
Carrying amount 1 January 2022	**0**	**3,114**	**3,114**
Additional provisions recognised	10,476	4,468	14,944
Amounts used during the year	0	(3,114)	(3,114)
Carrying amount 31 December 2022	10,476	4,468	14,944
The Company's provisions are presented as follows in the balance sheet:			
Non-current liabilities	0	0	0
Current liabilities	10,476	4,468	14,944
Total	**10,476**	**4,468**	**14,944**

At 31 December 2022, the Company has recognised a provision for onerous contracts of DKK 10,476 thousand related to fulfilment of ongoing customer contracts. The amount reflects the unavoidable costs of meeting the Company's obligations under the contract exceeding the economic benefits to be received under it and which are not included in the write-down of dedicated inventory, cf. note 18.

Provision is made for estimated warranty claims in respect of electrolysers sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year.

Note 26

Capital management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern, so that the Company can fund its continuing growth and development while maintaining an optimal capital structure to reduce the cost of capital.

The Company has during 2022 grown significantly. The financial policies are being refined on an ongoing basis to support the Company's risk management policies and objectives. The Company intends to apply all available financial resources for the purposes of current and future business development. The Company does not expect to make dividend payments within the foreseeable future. The Company does not enter into any speculative transactions.

Note 26

Capital management (continued)

The Company has in 2023 been granted a mortgage loan on the new facilities at Nordager 21, Kolding amounting to DKK 120 million. In addition to the mortgage loan the Company targets a capital raise during the first half of 2023. Gross proceeds of up to DKK 650 million are expected from a contemplated rights issue with pre-emptive rights for the existing shareholders. The Company remains in dialogue with several of its current larger shareholders as well as potential new shareholders regarding such potential capital increase.

Note 27

Commitments and contingent liabilities

Guarantees

The Company has provided payment guarantees of DKK 16 millions to suppliers in relation to the expansion of its current facilities in Kolding, Denmark. Cash balances of 9 millions and listed bonds of 7 millions related to these guarantees are restricted.

Contingent liabilities

None

Commitments

DKK '000	31 December 2022	31 December 2021
Capital commitments		
Property, plant and equipment	**16,000**	**107,000**

On July 2021 the Board of Directors has in line with the company's strategy approved its planned second expansion phase of its current combined manufacturing, R&D, and office facilities in Kolding, Denmark.

The Company has signed agreements amounting to DKK 168 million in construction of the phase 2 expansion whereof DKK 152 million have effect in 2022 and earlier.

Note 28

Fee to auditors appointed at the general meeting

DKK '000	2022	2021
PwC		
Audit fee	1,175	1,179
Tax and VAT services	147	197
Audit-related services	0	8,504
Other services	260	5,854
Total	**1,582**	**15,734**

In 2022, the fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab amounted to TDKK 407 relating to tax services and consulting services.

In 2021, the fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab amounted to TDKK 14,455 and mainly consisted of services related to and performed before the listing of Green Hydrogen Systems.

Note 29

Changes in liabilities arising from financing activities

DKK '000	1 January 2022	Cash flows	Non-cash changes: New leases	Non-cash changes: Changes in fair value	Non-cash changes: Other changes	31 December 2022
Borrowings, current and non-current	**0**	500,000	0	0	0	**500,000**
Lease liabilities	**7,397**	(4,547)	5,150	0	0	**8,000**
Exit-payment derivative	**3,000**	0	0	0	0	**3,000**
Total liabilities from financing activities	**10,397**	**495,453**	**5,150**	**0**	**0**	**511,000**

DKK '000	1 January 2021	Cash flows	Non-cash changes: New leases*	Non-cash changes: Changes in fair value	Non-cash changes: Other changes**	31 December 2021
Borrowings, current and non-current	**170,908**	(19,829)	0	0	(151,079)	**0**
Lease liabilities	**14,531**	(4,658)	9,188	0	(11,664)	**7,397**
Exit-payment derivative***	**3,410**	0	0	(410)	0	**3,000**
Total liabilities from financing activities	**188,849**	**(24,487)**	**9,188**	**(410)**	**(165,743)**	**10,397**

* Including remeasurements.
** Other changes include non-cash movements. The adjustments include DKK 154,079 thousand which was converted into shares in 2021.
*** Other changes include non-cash movements. The adjustments include DKK 11,664 thousand which relates to disposal of property.

Note 30

Related parties

The Company do not have any parties with controlling interest end of 2022. Until the IPO in June 2021, Nordic Alpha Partners Fund I K/S was the ultimate controlling party.

Nordic Alpha Partners Fund I K/S has significant influence due to ownership of shares.

Transactions with key management personnel
Information about remuneration to key management personnel has been disclosed in note 5.

The following transactions were carried through with related parties:

DKK '000	2022	2021
Transactions with entities with controlling influence		
Proceeds from loans	0	0
Interest accrued on loans	0	1,407
Conversion of loans to equity	0	(38,604)
Outstanding balances with entities with controlling influence		
Convertible loan*	0	0
Transactions with entities with significant influence		
Proceeds from loans	0	0
Repayment of loans	0	0
Interest accrued on loans	0	4,433
Conversion of loans to equity	0	(121,602)

	31 December 2022	31 December 2021
Outstanding balances with entities with significant influence		
Convertible loan*	0	0

* The convertible loan issued in December 2020 is presented within borrowings in the balance sheet. For further information about the terms and conditions for the loan reference is made to note 22.

Note 31

Events after the balance sheet date

No subsequent events have occurred after the balance sheet date that required adjustment to or disclosure in the Financial Statements of the Company.

Note 32

Cash flow specifications

DKK '000	2022	2021
Changes to net working capital		
Decrease/(increase) in trade receivables	(7,181)	371
Decrease/(increase) in deposits	(381)	5,678
Decrease/(increase) in other assets	(107,303)	(84,312)
Decrease/(increase) in prepayments	(8,698)	(1,586)
Decrease/(increase) in trade payables	22,277	17,492
Decrease/(increase) in other liabilities	16,207	28,385
Decrease/(increase) in contract liabilities	13,852	19,687
	(71,226)	**(14,286)**
Adjustments		
Income tax	(5,500)	(5,500)
Amortization of intangible assets	13,523	6,303
Depreciations of tangible assets and right-of-use assets	20,269	8,580
Share-based payment	2,390	16,033
Finance expenses, net	4,849	335,038
Other	29,352	2,130
	64,884	**362,584**

Definition of Terms

The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

Financial key ratios

Solvency ratio (%): Equity as a percentage of total assets

Return on invested capital (%): Net profit/(loss) for the period as a percentage of total assets, average

Return on equity (%): Net profit/(loss) for the period as a percentage of total equity, average

Other non-IFRS performance measures

The financial review includes other performance measures which are not defined according to IFRS. The Company usees these other performance measures as we believe that these financial measures provide valuable information to our stakeholders and management as supplementary information to the financial information. The other performance measures may not be directly comparable to similarly titled measures presented by other companies, as the definitions and calculations may be different. The other performance measures applied by the Company are defined as follows:

Order intake megawatts: The electrolyser capacity in megawatts of signed orders during the year.

Gross profit: Revenue from customer contracts, less direct product and labor costs.

Gross profit margin: Gross profit in percent of revenue

Gross profit margin excluding one-offs: Gross profit adjusted for on-offs, comprising of inventory write-downs.

EBITDA: Earnings before interest, tax, depreciation and amortization.

EBITDA margin: Earnings before interest, tax, depreciation and amortization in percent of revenue.

Intangible CAPEX: Costs for development activities.

Tangible CAPEX: Payments for property, plants and equipment.

CAPEX: Investments in Intangible and Tangible CAPEX.

Net working capital: Total net amount of deposits, inventories, trade receivables, other receivables and net prepayments less trade payables, contract liabilities, deferred income and other payables.

Free cash flow: Cash flow from operating activities less cash flow from investing activities.

Net cash position: An amount equal to the Cash and Cash Equivalents less the aggregate gross interest bearing debt.

Headcount: Numerical number of employees of the Company.

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