Annual report 2021

The future of **energy**

Green Hydrogen Systems A/S
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GREEN
HYDROGEN
SYSTEMS

Our **purpose**

Green Hydrogen Systems will pioneer the field of green hydrogen to **drive a sustainable global energy transition**

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Overview 2021 **& outlook 2022**

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Scaling for **the future**

2021 was a pivotal year for Green Hydrogen Systems. First and foremost we received a vote of confidence from our investor base now consisting of more than 13,000 individuals. The investor support resulted in proceeds of DKK 1,265 million to our Company, in June 2021, when our shares were first traded on the Nasdaq Copenhagen stock exchange.

Two years ago, Green Hydrogen System had a total of 18 employees focusing on developing the technology which formed the basis of the early A-Series electrolysers. Since then, the Company has moved from a nascent R&D focused start-up to a well-known market contender with global customer reach. The capital increase from the IPO is crucial in our quest to grow Green Hydrogen Systems to an industrial scale in order to commence serial production and to become a leading technology 'Original Equipment manufacturer' (OEM) of electrolysers.

The reliability in delivering innovative and pioneering technology to an industry that is rapidly moving beyond its infancy stage will be challenged at times.
In late September 2021, such challenges arose when we realised that the initial A90 electrolysers needed to undergo further development and testing before delivery. The delay in completion and delivery led to an adjustment of the guidance for 2021. Revenue recognition of the delayed orders was postponed to 2022 and it is now promising to see progress in the deliveries to our customers. We will continue to do our utmost to mitigate the risks we can foresee and at the same time ensure agility in our processes when new and unexpected challenges arise. Regardless of such risk mitigating efforts and our intended improvements of the sourcing processes, issues related to global supply chains and post-Covid implications may also pose a challenge in 2022. for example, we face risks related to our product development and our ability to attract and retain highly qualified employees which may impact Green Hydrogen Systems' strategic and operational objectives.

From a macro perspective we see signs that the hydrogen industry and the global hydrogen markets will develop rapidly from its current level with a quadruple in global electrolyser sales in 2022 compared to 2021. National and regional developments in especially Europe show that, the hydrogen industry and markets are set to become internationally regulated with transparent pricing and sustainable demand. National strategies and discussions on regulatory changes are ongoing and a range of new large projects are continually being proposed in the market.

Sebastian Koks Andreassen
CEO

Thyge Boserup
Chairman

During these stages of regulatory, industry and market evolution, our technological offerings and results will also develop.

To ensure that we are ready to respond to any challenges, whether related to technological advances, production ramp-up, competitive landscape or in achieving the expected financial results we will invest our capital and resources timely and prudently.

In January 2021, we opened new production and office facilities with a targeted production capacity of 75 MW. Later - in July 2021 - a decision on a second expansion phase was made to accommodate the development and production of the X-Series electrolyser platform. The expansion leads to a capacity increase from 75 MW to 400 MW. And these are merely the first steps in meeting the need for increased capacity and lower levelised cost of hydrogen (LCOH) in the whole industry.

[1] BloombergNEF - 10 Predictions for 2022

We invested in human resources by recruiting 134 new employees, in 2021, primarily related to R&D and production, while also strengthening our organisation for further growth with new executives and a consolidation of the Executive Management Group.

We invested DKK 70 million in R&D activities such as development of the X-Series, electrode efficiency and advancement and refinement of the A-Series.

We adjusted our production processes and mitigated a range of acknowledged risk factors.

Such findings in the application process led to improved levels of technological knowledge within our organisation, which are essential for our efforts to achieve industrialisation and for our continued quest for further cost reductions and product improvements.

The investment level in 2021 increased compared to our initial expectations for the year. The completion of the A-Series product platform was more complex than anticipated requiring faster resource ramp-up. However, we also became aware of a need to frontload investments throughout the organisation to advance the development of the X-Series and succeeding products and offerings.

We will continue our push for progress in positioning Green Hydrogen Systems as an electrolyser OEM with the potential to take our share of the future market with significant growth projections.

Our continued investments in all areas of our activities will be instrumental for the competitiveness of our current and future electrolyser offerings and for green hydrogen as a commercial zero-carbon energy of the future.

Despite risks and market uncertainty, we remain confident that our combined efforts and constant drive to delivering on our targets will provide us with a strong market position with leading product offerings and commercially competitive price points. This will not be possible without our dedicated employees who put in an enormous effort to constantly develop Green Hydrogen Systems and our product offerings while influencing the transition to a more sustainable society.

Sebastian Koks Andreassen, CEO

Thyge Boserup, Chairman

Highlights **2021**

New production and office facilities

In January 2021, we opened a new production and office facility with a yearly production capacity of up to 75 MW.

Customer orders from Australia, Chile and the United Kingdom

Three orders totalling 2.0 MW were signed with end-customers in the United Kingdom, Australia and Chile.

Initial Public Offering

On 17 June 2021, Green Hydrogen Systems was listed at Nasdaq Copenhagen backed by strong investor support resulting in proceeds of DKK 1,265 million.

Expansion of production facilities to 400 MW

In July 2021, a decision on a second expansion phase was made, leading to a production capacity increase from 75 MW to 400 MW effective from 2024.

Customer orders from Germany, Norway and the United Kingdom

In Q3 2021, three orders totalling 3.2 MW were signed with end-customers in Germany, Norway and the United Kingdom.

Initial Public Offering
On 17 June 2021, Green Hydrogen Sytems was listed at Nasdaq Copenhagen

GreenHyScale - a 100 MW Power-to-X platform

In September 2021, Green Hydrogen Systems entered the GreenHyScale project with responsibility for delivering an initial 6 MW test module intended to validate the solution and technology for a 100 MW project. Green Hydrogen Systems is backed by an EU grant of DKK 69 million for the project.

Guidance adjustment

On 29 September 2021, Green Hydrogen Systems adjusted its guidance for 2021 due to delays in design finalisation and assembly.

Consolidation of the Executive Management Group

With the promotion of Kasper Tipsmark Therkildsen to CTO, the appointments of Birgitte Høgh Frederiksen as CHRO and Ole Vesterbæk as CFO, the Executive Management Group has been consolidated.

The pioneering Brande Wind-to-Hydrogen project delivers first green hydrogen

In November 2021, Green Hydrogen Systems and Siemens Gamesa reached a key milestone and delivered the world's first hydrogen from an off-grid "Island-mode" solution in a commercial setup.

The Siemens Gamesa SWT 3.0-113 DD wind turbine powering the Green Hydrogen System HyProvide A60 electrolyser in the Brande Wind-to-Hydrogen project

Financial **review 2021**

Revenue from customer contracts of DKK 5.2 million and an EBITDA of -148 million. The firm order backlog grew by 100% to 10 MW of electrolyser capacity.

Revenue
In 2021, total income was DKK 7.6 million with DKK 5.2 million from customer contracts and DKK 2.4 million from other operating income. Revenue from customer contract declined by DKK 4.2 million compared to 2020 due to postponed deliveries and revenue recognition from 2021 to 2022. The revenue in 2021 was derived from delivery of an electrolyser to a French customer, from a cancelled order entered in 2018 and from service and maintenance.

Gross profit
Gross profit was DKK -17 million compared to 0.4 million in 2020. Due to a more complex initial production of the A-Series than anticipated and the delays in delivery of customer orders triggering penalties costs of DKK 17 million has been recognised as provision for loss.

EBITDA
In 2021, EBITDA was DKK -148 million compared to DKK -70 million in 2020. The negative development in EBITDA was a direct consequence of frontloaded investments throughout the organisation to complete the A-Series and to advance the development of the X-Series and succeeding products and offerings. During 2021, the organisation grew by 253% from 53 employees at 31 December 2020 to 187 employees at 31 December 2021.

In 2021, EBITDA was negatively impacted by one-off costs of DKK 30-35 million related to the IPO.

EBIT
In 2021, depreciations and amortisations amounted to DKK 15 million compared to DKK 3.1 million in 2020. The increase is mainly due to amortisation of the A-Series technology. The increase in depreciations and amortisations combined with the development in EBITDA resulted in an EBIT of DKK -163 million in 2021 compared to DKK -73 million in 2020.

Net financials and net profit
In 2021, net financials were DKK -335 million mainly due to a non-cash fair value adjustment of a convertible loan facility entered into, in December 2020, with A. P. Møller Holding, Nordic Alpha Partners and Norlys. The convertible loan was described in details in the Annual Report for 2020, notes 21 and 22, to which we refer. Furthermore, net financials were impacted by costs to conversion of loans in relation to the IPO as interest costs. In 2020, net financials were DKK -2.9 million.

Profit & loss

DKK '000	2021	2020	Change
Profit & loss			
Revenue from customer contracts	5,172	9,433	(4,261)
Gross profit	(17,017)	(4,022)	(12,978)
Gross profit margin	(329)%	(43)%	(285)%
EBITDA	(148,450)	(69,617)	(79,631)
Operation profit, EBIT	(163,333)	(72,689)	(90,644)
Net financials	(335,038)	(2,861)	(331,348)
Net profit for the period	(492,871)	(73,241)	(418,801)

Net profit was DKK -493 million in 2021 compared to DKK -73 million in 2020.

Balance sheet
As of 31 December 2021, total assets were DKK 1,295 million compared to DKK 233 million as of 31 December 2020. The increase was mainly driven by proceeds from Green Hydrogen Systems' listing at Nasdaq Copenhagen. Furthermore, total assets increased due to additions in intangible assets (R&D, product development), PPE and right-of-use assets. Likewise, equity increased by DKK 1,176 million compared to 31 December 2020 mainly due to proceeds from share issues in connection with the listing at Nasdaq Copenhagen.

Cash flow

In 2021, free cash flow excluding financial assets was DKK -348 million compared to DKK -57 million in 2020. The negative free cash flow development of DKK 291 million was mainly due to negative development in net profit, additions to tangible and intangible assets and increase in inventories. At the end of 2021, cash and cash equivalents amounted to DKK 111 million excluding financial assets. As part of Green Hydrogen Systems' risk policy and to mitigate impacts from negative interest rates, a placement of around DKK 700 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. Consequently, the DKK 700 million placement is not part of the stated cash balance despite a cash-like liquidity.

Order backlog

At the end of 2021, the order backlog had accumulated to 10 MW based on customer orders from Europe, Australia and South America. Compared to the end of 2020, the backlog increased by 100%.

The total backlog including a number of additional orders for delivery within the current financial year (in-for-out orders) are expected to be delivered and revenue recognised in 2022. The 10 MW electrolysers will be applied across different end-use applications such as transportation for trucks, taxis and planes, heating for private homes and Power-to-X. Green Hydrogen Systems and the individual customers will gain valuable operational experience from these relatively small-scale projects as preparation for future large-scale hydrogen applications based on pressurised alkaline electrolysis.

DKK million	2021 realised	2021 outlook
Revenue	5.2	Around 5
Gross profit	-17	Around -15
EBITDA	-148	-145 to -155
EBIT	-163	-160 to -170
R&D	72	75-80
CAPEX	145	135-145

Key **figures**

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

DKK '000	2021	2020	2019 (Pro forma*)	2018 (Pro forma*)	Dec 2019
Customer orders					
Order backlog (MW)	9.9	4.9	n.a.	n.a.	n.a.
Profit/loss					
Revenue	5,172	9,433	14,196	4,179	0
Operating profit, EBIT	(163,333)	(72,689)	(12,027)	(4,142)	(1,781)
Net financials	(335,038)	(2,859)	(83)	(16)	0
Net profit for the period	(492,871)	(73,241)	(10,736)	(2,762)	(1,561)
Balance sheet					
Total assets	1,295,001	232,898	40,909	14,494	40,909
Equity	1,171,842	(4,077)	20,534	137	20,534
Cash flows					
Operating activities	(155,394)	(25,172)	(21,682)	(1,302)	(5,447)
Investing activities	(886,771)	(31,625)	(1,412)	(3,821)	(301)
Hereof investments in property, plant and equipment	(145,417)	(20,647)	(106)	(147)	0
Financing activities	1,153,136	203,338	31,907	4,816	(21)
Net cash flow for the year	110,971	146,541	8,813	(307)	(5,769)
Employees					
Average number of employees	110	37	11	7	18
Financial Key Ratios					
Solvency ratio (%)	90%	(2)%	50%	1%	49%
Return on invested capital (%)	(65)%	(53)%	(39)%	(26)%	(4)%
Return on equity (%)	(84)%	(890)%	(104)%	(520)%	(7)%

DKK '000, unless otherwise stated	2021	2020	2019 (Pro forma*)	2018 (Pro forma*)	Dec 2019
Other performance measures					
Gross profit	(17,017)	(4,022)	222	678	(291)
Gross profit margin	(329)%	(43)%	2%	16%	0
Total R&D spend	71,784	20,385	5,601	4,640	697
EBITDA	(148,450)	(69,617)	(11,711)	(3,864)	(1,735)
EBITDA margin	(2,886)%	(738)%	(82)%	(91)%	0
Intangible CAPEX	(46,889)	11,490	1,745	3,756	334
Tangible CAPEX	(145,417)	20,647	106	147	0
Total CAPEX	(192,306)	32,137	1,851	3,904	334
Net working capital	(10,009)	(24,295)	7,012	(4,399)	3,317
Free cash flow	110,971	146,541	8,813	(307)	(5,769)
Cash and cash equivalents	266,924	155,953	9,412	n.a.	15,181

* The company implemented IFRS on 1 January 2018.

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

Outlook

In 2022, Green Hydrogen Systems expects to deliver revenue of DKK 75 to 120 million with an EBITDA of DKK -265 to -225 million. The 2025 mid-term targets are maintained with slightly increased expectations to revenue derived from potential customer demand for the X-Series electrolyser platform.

Guidance 2022

Revenue	DKK 75 to 120 million
Gross profit	DKK -15 to 15 million
EBITDA	DKK -265 to -225 million
EBIT	DKK -310 to -270 million
CAPEX	DKK 390 to 450 million*

Guidance 2022

In 2022 Green Hydrogen Systems will continue its efforts to scale its business with focus on industrialisation of its production facilities in Denmark as well as continued R&D investment in its current A and X-Series. Industrialisation, technological competitiveness and production capacity are key to secure Green Hydrogen Systems' future market position and, therefore, the investment in achieving this is moderately increased and accelerated.

Revenue for 2022 consists of an order backlog of 10 MW whereof around 7 MW relates to the postponed deliveries of orders from 2021 to 2022. In addition, a number of in-for-out orders for the A-Series are expected to be signed and revenue recognised in 2022, which was recently illustrated by the 0.9 MW order from Logan Energy. Additional revenue may be achieved through additional in-for-out orders and planned excess production capacity. However, revenue timing and estimation at the current stage of industrialisation and ramp-up are uncertain.

The exact delivery, site acceptance test (SAT) and revenue recognition may be negatively impacted by the current supply chain disruption. Furthermore, COVID-19 continues to entail infection of employees and local lockdowns which may impact the deliveries and commissioning of the electrolysers.

Gross profit reflects the planned cost-out potential with the overall target of reducing equipment costs by up to 60% during the next five years. Simultaneously, a number of uncertainties may impact the gross profit level as a consequence of price fluctuations of raw materials, power prices, delivery delays, performance guarantees and/or other internal or external factors.

EBITDA for 2022 reflects continued investments in the current A-Series and X-Series product platforms as well as increased resource ramp-up in sales and administrative functions. In order to reach industrialisation, technological competitiveness and production capacity it was decided to advance investments and resource ramp-up across the Company. The increasing trend in operating expenditures compared to 2021 is in line with the 2025 mid-term target projections set forth as part of the IPO process in 2021.

Investments in tangible and intangible CAPEX relate to production scale-up, prototype build, test facilities as well as R&D activities focusing on the A-Series, X-Series and numerous initiatives to further icrease competitiveness of Green Hydrogen Systems' technological offerings. Furthermore, tangible CAPEX includes investments related to the increase of production capacity from 75 MW to 400 MW. Uncertainties towards price fluctuations of raw materials may also have an impact on the level of capacity expenditures in 2022.

The level of investments will peak in 2021 and 2022 due to the factory expansion to 400MW of electrolyser capacity, 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 will stabilise and Green Hydrogen Systems expects to engage in a sale and lease-back arrangement tying-up invested capital.

Mid-term targets

Green Hydrogen Systems remains positive about the continued mid and long-term development of the green hydrogen market and therefore also confirms the financial targets for 2025 set forth as part of the IPO process in 2021. In 2025, Green Hydrogen Systems expects to deliver electrolyser capacity combined with service and maintenance activities worth more than DKK 1,000 million. Compared to the initial targets set at the IPO, the order intake potential in 2023 and 2024 has increased, positively impacting expected revenue in 2025. The increased expectations are driven by a maturing project pipeline with specific customer demand for the X-Series electrolyser platform. By 2025, gross profit margin is expected to reach approximately 25% with a positive EBITDA margin.

In the effort to achieve its financial objectives towards 2025 Green Hydrogen Systems is exposed to a number of internal and external risk factors. Selected key risks with the potential to impact Green Hydrogen Systems' financial position are described in the 'Risk management' section, in which it is also stated that additional risks and uncertainties may arise or become material in the future, which may have a negative financial or reputational impact.

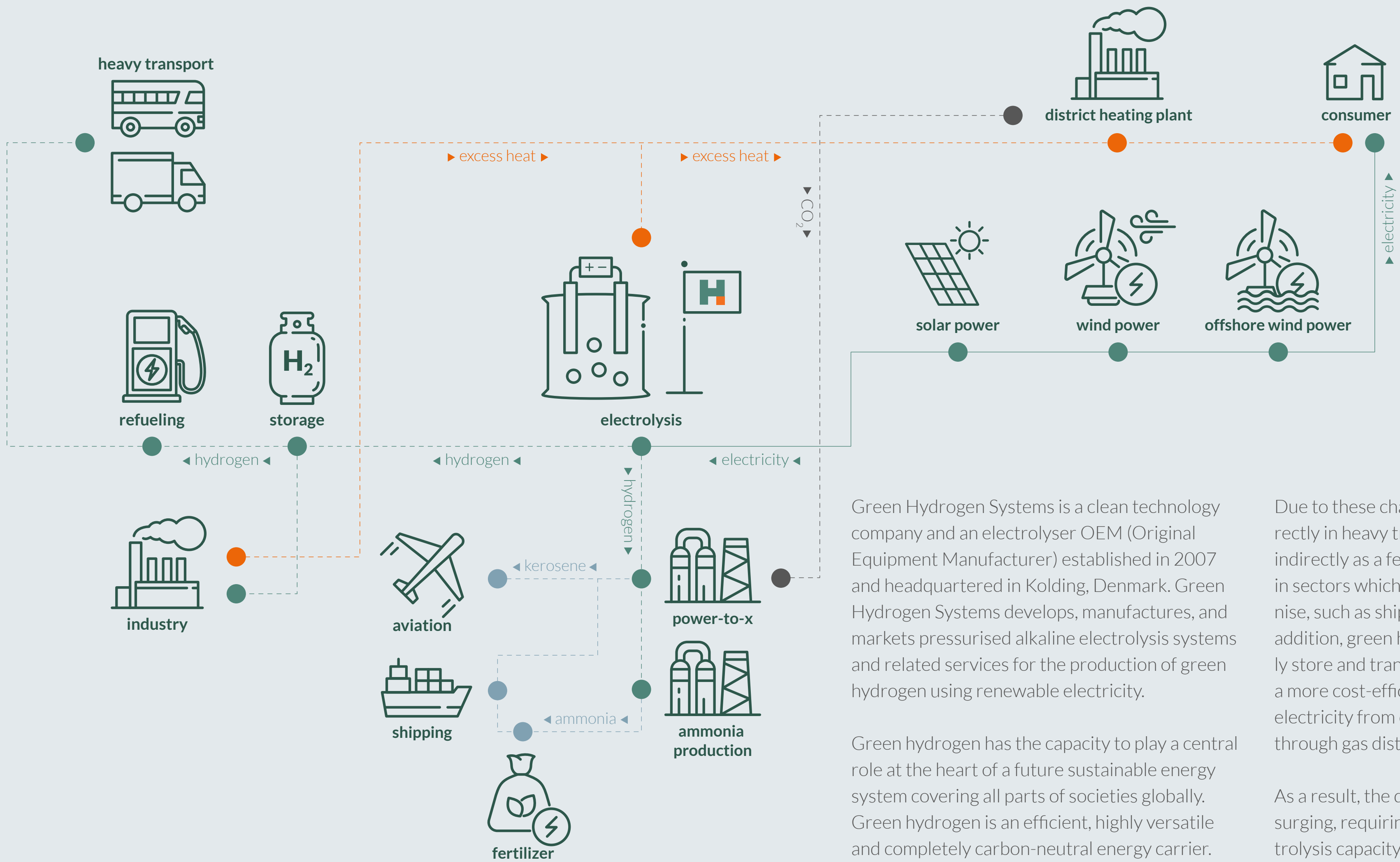
* Of which DKK 100 million is allocated to the expansion of the production capacity

Our **business**

Green Hydrogen Systems' role in the transition to a sustainable global energy system **/** Hydrogen in a macro perspective **/** Production & capacity **/** Strategy **/** Sustainability **/** Risk management

2

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



Green Hydrogen Systems is a clean technology company and an electrolyser OEM (Original Equipment Manufacturer) established in 2007 and headquartered in Kolding, Denmark. Green Hydrogen Systems develops, manufactures, and markets pressurised alkaline electrolysis systems and related services for the production of green hydrogen using renewable electricity.

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. Green hydrogen is an efficient, highly versatile and completely carbon-neutral energy carrier.

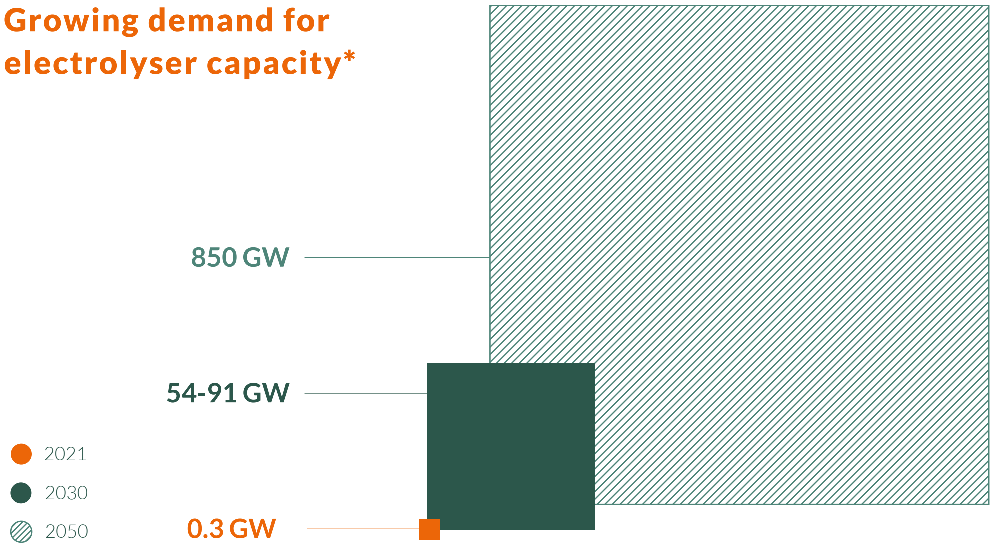
Due to these characteristics, it can be used directly in heavy transport or industry processes or indirectly as a feedstock to Power-to-X processes in sectors which are otherwise hard to decarbonise, such as shipping, aviation and agriculture. In addition, green hydrogen can be used to efficiently store and transport renewable energy either as a more cost-efficient supplement to transporting electricity from offshore wind farms to land or through gas distribution networks.

As a result, the demand for green hydrogen is surging, requiring a significant scale-up of electrolysis capacity.

Hydrogen in a **macro perspective**

The central role of hydrogen in the green economy of the future is now accepted. Doubt is abating about hydrogen as the crucial stepping stone towards the alternative energy sources needed to reach fossil-free energy consumption.

Growing demand for electrolyser capacity*



This newfound certainty is driven by strides taken in the fields of policy, industry and energy as the realism of the situation has reached these areas.

Various keynotes at the COP26 in Glasgow dedicated to the prospects of green hydrogen, including one by the European Commission President von der Leyen, were followed by launches and initiatives by public and private partnerships, bringing new funding opportunities for the scaling of a green hydrogen industry to the table.

Such public statements from government officials, supported by strong commitment voiced by businesses, industries and the financial community are needed to move from hope, hype and early-stage technological progress and towards full-scale serial production of key components that will fuel the development of a hydrogen economy.

With the Danish government's Power-to-X strategy released in December 2021, a total of 18 governments around the world have now developed a strategy with electrolysers as the heart of the numerous opportunities for hydrogenous integration into the fossil-free energy system.

According to the International Energy Agency's (IEA) annual publication, Global Hydrogen Review from November 2021, the demand for electrolyser capacity continues to grow.

The capacity of electrolysers needed to produce green hydrogen from renewable energy has doubled over the last five years to reach just over 0.3 GW by mid-2021 with an average project size of 0.6 MW. Based on the current global project pipeline the total installed capacity could reach 54-91 GW by 2030 with an average project size of 230 MW. To reach the net zero emissions scenarios by 2050, electrolysis capacity of around 850 GW is required leaving a massive growth potential for global electrolyser OEMs such as Green Hydrogen Systems.

A stepping stone for such a positive and large-scale development is the continued drive to achieve cost competitiveness for green hydrogen vis-á-vis fossil fuels.

In 2021, renewable energy proved to be a commercially viable competitor to any alternative energy sources, including fossil-based energy. This viability should spur continued and rapid capacity build-up of the renewable energy projects needed to cater for green hydrogen production.

Furthermore, the decrease in the levelised cost of green hydrogen will accelerate as projects move from tailormade and innovative electrolyser technologies installed in small scale demonstration projects to reach serial unit production aimed for large-scale production facilities.

The momentum towards fossil cost parity will continue in 2022, as the size and capacity of green hydrogen projects increase, and as the industry gains valuable experience in technology implementations across the entire green hydrogen value chain.

A momentum built by the lightest and simplest atomic structure at the top of the periodic table, now deemed one of the key answers to solutions for climate changes.

* International Energy Agency's Global Hydrogen Review, November 2021

A product portfolio and production capacity **for the future**

Based on a decade of research, Green Hydrogen Systems has developed an electrolysis platform with competitive advantages.

1 Competitive technology to work with renewable energy sources

Green Hydrogen Systems has decided to prioritise pressurised alkaline electrolysis as its core technology. It can operate dynamically at variable loads with fast ramp-up and down rates, which is key for integration with renewable power. Another advantage is that the electrolysers do not require scarce, emission-intensive and price-sensitive materials like iridium and platinum.

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 and GW applications similar to a cluster of wind turbines. All electrolyser units are pre-tested at the factory in Kolding before being shipped to customers, which allows for rapid deployment at customer sites.

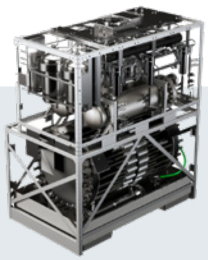
3 Significant potential to reduce the cost of hydrogen

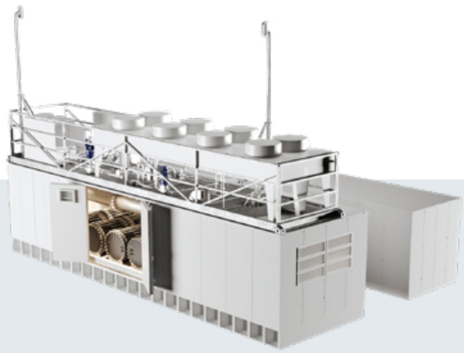
The standard modular design is suited for serial manufacturing at an industrial scale, making it possible to drive down the costs of electrolysers considerably. Furthermore, Green Hydrogen Systems can influence the cost of hydrogen by reducing capacity expenses significantly through a more cost-effective product design and through product upgrades, increasing the efficiency of the hydrogen production process.

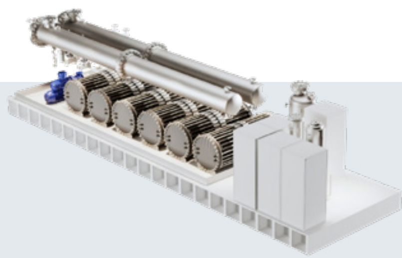
Final adjustments of a HyProvide A90 electrolyser in Kolding, Denmark

Our **products**

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







The A-Series

The current product portfolio consists of the HyProvide A-Series available in different production capacity versions, of which the 0.45 MW A90-model is the most powerful. During 2021, the entire A-Series platform was upgraded from Mk0 to an optimised Mk1, which will form the basis for customer orders to be delivered in 2022. Green Hydrogen Systems has delivered six A-Series electrolysers of the prior Mk0 version.

These electrolysers are currently at customer sites producing hydrogen for end-use applications such as transport and CO2-neutral eMethanol or eAmmonia.

The operational data from the installed base confirms the reliability and performance of the technology and Green Hydrogens Systems' ability to develop and deliver efficient electrolysers based on pressurised alkaline electrolysis.

The A-Series is well-suited to the vast number of demonstration projects that currently validate various technologies and integrations towards different end-use applications – either as a stand-alone unit or clustered into multi-megawatt units.

The X-Series

The X-Series is a pressurised alkaline electrolyser module with an expected module power consumption of 6 MW, which enables Green Hydrogen Systems to target large projects potentially in the GW scale. The X-Series platform will be based on the A-Series, a pressurised alkaline electrolysis platform seen as the most cost-efficient type of electrolysis, and a technology that works efficiently with the variable load from renewable electricity sources. 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.

As part of the EU Horizon funding programme and the GreenHyScale project, Green Hydrogen Systems has, as part of a consortium, been granted up to DKK 69 million to develop the X-Series prototype/test module out of a total consortium grant of around DKK 230 million. As a first step, the 6 MW X-Series electrolyser prototype module will be demonstrated towards the end of 2022 and will be ready for commercialisation in 2023.

The goal of the GreenHyScale project is to demonstrate a 100 MW of green hydrogen production and to pave the way for large scale deployment of electrolysis both onshore and offshore in line with the EU hydrogen strategy and offshore renewable energy strategy. Subject to performance and qualification, the 100 MW solution worth more than DKK 360 million in contract value will be deployed at the end of 2024.

Off-shore hydrogen production has the **potential to significantly reduce the levelised cost of hydrogen (LCOH),** as the cost of transporting the electrons in power cables are 5-9 times more expensive compared to transporting the hydrogen molecules in gas pipelines.

Off-shore hydrogen production

Green Hydrogen Systems is engaged in a number of pioneering projects related to offshore production of green hydrogen with world-leading wind turbine manufacturers supported by project grants from Denmark and the EU. The objective of these types of projects is to pave the way for large-scale utilisation of the wind power resources of the North Sea as well as other offshore areas with major untapped wind-power potentials.

The projects focus on the concept of offshore hydrogen wind farms, with an electrolyser placed in or directly next to the turbine for an offshore green hydrogen production at higher output pressure than possible with current state-of-the-art equipment. The hydrogen will be transported onshore via a hydrogen pipeline and coupled to a hydrogen gas network, storage facilities or to Power-to-X production facilities.

The concept of decentralised hydrogen production units with high output pressure reduces the need for costly electrical infrastructure, offshore compressors and the associated conversion losses. The project has the potential to significantly reduce the levelised cost of hydrogen (LCOH), as the cost of transporting the electrons in power cables are 5-9 times more expensive compared to transporting the hydrogen molecules in gas pipelines.

Offshore hydrogen production also represents an opportunity for oil and gas companies to lower their carbon footprints while utilising existing offshore infrastructure. The oil and gas platforms can host electrolysis, water treatment and cooling equipment and the existing pipelines can transfer the hydrogen to shore.

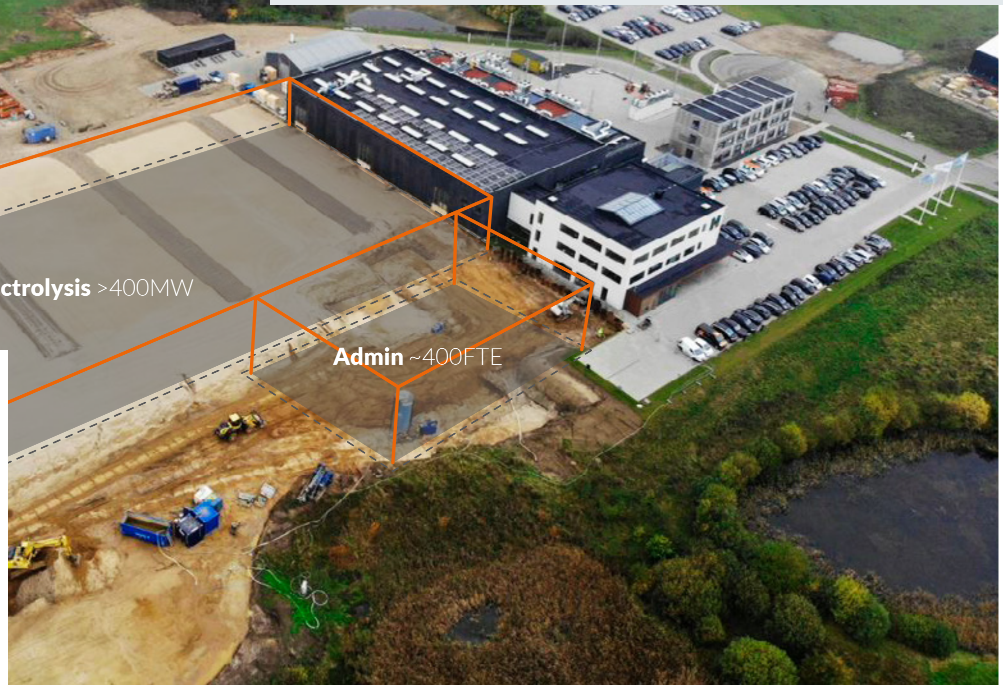
The first version of the offshore high-pressure electrolyser module will be based on the X-Series platform with a power consumption of up to 7.5 MW and is planned for deployment by 2025.

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

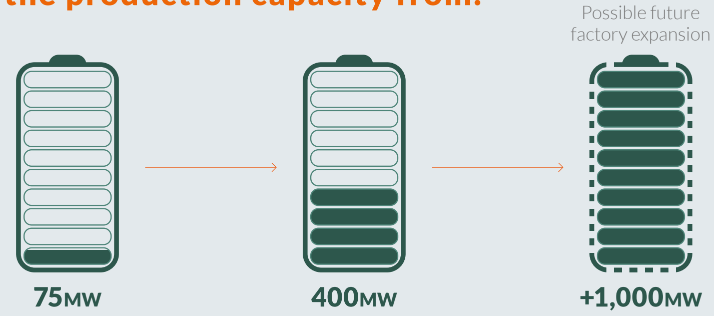
Increasing the production capacity

In IEA's Global Hydrogen Review from November 2021, the demand for hydrogen is expected to increase during the next three decades. The majority of the increased demand will be for green hydrogen, consequently impacting the demand for electrolysis capacity positively. To secure a future central role in the hydrogen economy as electrolyser OEM, Green Hydrogen Systems decided in July 2021 to undertake a factory expansion, increasing the production capacity from 75 MW to 400 MW. In subsequent phases, the site can be further scaled to a production capacity of +1,000 MW a year. The commissioning of the additional production facilities will commence from late 2022 and are scheduled for completion by mid-2023.

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 decision to the opening of subsequent capacity expansions allows for timely capacity planning as demand for Green Hydrogen Systems' electrolysers continues to grow. Furthermore, the phased expansion approach decreases the level of tied-up capital.

Initiated factory expansion increasing the production capacity from:



Our **strategy**

Green Hydrogen Systems' ambition is to advance and deploy a modular, standardised and versatile best-in-class 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, launch of local sales resources is prioritised in the focus markets of Europe along with OECD Asia with a first focus on Australia.

Secondly, a proactive sales effort has been adapted to address market demands of large projects. Green Hydrogen Systems' technology and system design allow for a highly versatile and application-agnostic electrolysis offering. As described in the section ´Hydrogen in a macro perspective´, we see an industry trend towards large electrolyser projects exceeding 200 MW in scale. 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 large-scale projects.

Finally, Green Hydrogen Systems will promote and increase awareness of the company, the product portfolio and the green hydrogen industry. As Green Hydrogen Systems operates in an ecosystem with numerous stakeholders, such as customers and partners, regulatory and political actors, trade organisations and the general public, 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 which is considered necessary to enable the cost parity pathway for green hydrogen against fossil fuels and derived energy carriers. Green Hydrogen Systems has 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 and energy efficiency.

It will also take a continuous high-priority R&D effort to maintain Green Hydrogen Systems' competitive edge. To meet the increasing market demand for large-scale projects, a central aspect of the strategy is the successful development and launch of the X-Series followed by an offshore high-pressure electrolyser module based on the X-Series as described in the section ´Off-shore hydrogen production´.

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.

Scale-up across the value chain

As the evolving industry of green hydrogen gains momentum, the next step for Green Hydrogen Systems is further scaling of the production facilities over multiple phases. The first scaling phase taking the production capacity to 75 MW was inaugurated in January 2021, while the construction of a second scaling phase with a total production capacity of 400 MW was initiated in July 2021. Additional scaling of the capacity will follow future developments in the order backlog and pipeline and can be accommodated at the current site.

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 velocity required to meet the expected future demand, the potential for entering partnerships within selected parts of the value chain – not considered strategically sensitive to the business – are continuously evaluated.

A prerequisite for a successful execution of the strategic initiatives is likely to entail additional recruitment ,increasing the company's capabilities and staff base as the business grows.

Our strategy (continued)

Strategic choices

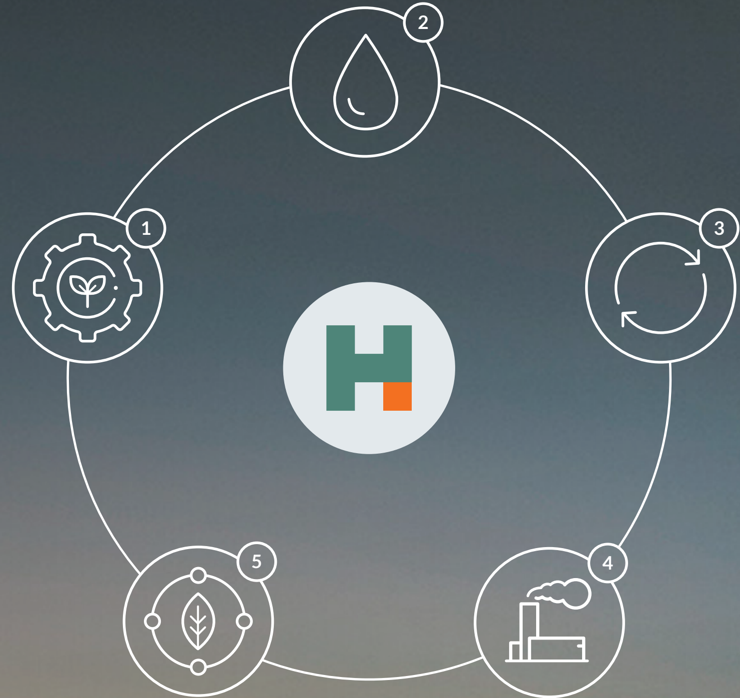
Green Hydrogen Systems has made two significant strategic choices as a company. Firstly, the company has decided to focus its efforts at the core of the business as an Original Equipment Manufacturer (OEM) with focus on production, assembly and service maintenance of electrolysers as an alternative to covering a larger part of the green hydrogen project value chain. As an OEM and by engaging in strategic partnerships with e.g. suppliers, contractors, energy companies and wind turbine manufacturers, Green Hydrogen Systems can deal with the individual customer demands and positively impact the project economics.

The other significant strategic choice is the technology. Green Hydrogen Systems has explored different technologies and has decided to prioritise pressurised alkaline electrolysis as the core technology. Pressurised alkaline electrolysis is well-positioned in terms of reliability and efficiency. It can operate dynamically at variable loads with fast ramp-up and down rates, which is key for integration with renewable power. Furthermore, Green Hydrogen Systems' electrolysers have a market leading footprint-efficiency positioning the equipment as a desired choice for off-shore installations or in other areas with limited space.

The green transition of our world is happening, and the pace is picking up too. It is driven by politicians as well as the market. Right at the top of the table sits hydrogen, ready to play its key role at the heart of, not only, the future energy system, but the current energy system as well. Policy and industry forces are converging to create momentum in the green hydrogen sector, and as a result, demand for green hydrogen is surging. Green Hydrogen Systems offers a commercially proven platform to spearhead a rapidly evolving green hydrogen industry that will enable the global energy transition.

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 curb climate change. The commitment to push for a more sustainable future happens with respect to a responsible and sustainable business behaviour as adopted in Green Hydrogen System' sustainability policy in accordance with the Danish Recommendations on Corporate Governance.



EU Sustainability Taxonomy

The EU Sustainability Taxonomy (Regulation (EU) 2020/852) is part of the EU's Green Deal outlining the plan to achieve a carbon neutral economy by 2050. The EU Sustainability Taxonomy's overarching objective is to direct investments towards sustainable projects and activities as part of the objectives in the Green Deal. The EU Sustainability Taxonomy is an attempt to create a common classification system for sustainable activities for the benefit of customers, investors, other stakeholders and society in general.

Green Hydrogen Systems is not required to conduct an EU Sustainability Taxonomy assessment but has chosen to conduct a pilot analysis. The assessment covers 2021 and is based on the criteria for activity "3.2 Manufacture of equipment for the production and use of hydrogen" as defined in the Climate Delegated Act Annex 1, and the minimum safeguards as defined in Article 18 of the EU Sustainability Taxonomy. The assessment covers Green Hydrogen Systems' main activity and does not cover capital expenditure and operational expenditure. Thus, the assessment is not intended to cover the full scope of an assessment in line with Article 8 of the EU Sustainability Taxonomy.

It is the assessment of an external advisor that Green Hydrogen Systems main activity (production and assembly of electrolyser units) is environmentally sustainable as defined by the EU Sustainability Taxonomy. This is because it makes a substantial contribution to climate change mitigation (which is one of the six environmental objectives), while doing no significant harm to the other five environmental objectives and is carried out in accordance with the minimum safeguards.

- Green Hydrogen Systems is making a substantial contribution to climate change mitigation
- Green Hydrogen Systems is aligned with the criteria for doing no significant harm to:
  1. climate change adaptation,
  2. sustainable use and protection of water and marine resources,
  3. transition to circular economy,
  4. pollution prevention and control and
  5. protection and restoration of biodiversity and ecosystems

Sustainability (continued)

For a description of the business model, please refer to **page 14**

Green Hydrogen Systems is observing increasingly stringent environmental, social and governance (ESG) standards and policies and expects to continue to do so as a listed company with growing operations. There is generally a strong ESG emphasis among customers, partners and competitors in the electrolysis industry and the renewable energy sector generally which is in line with Green Hydrogen Systems' commitment to a responsible and sustainable business behaviour.

As a participant in the green transition, actual or perceived failure to comply with ESG standards may detrimentally affect the business in a variety of ways. Among others, Green Hydrogen Systems might be limited in its ability to participate in large-scale green hydrogen projects, particularly where the customer adheres to strict ESG principles and apply such principles to its partners as well.

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 a 1,000 times as emission-intensive as iridium and platinum; both metals which are used in PEM 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 enables 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 2021, the factory acceptance test (FAT) was designed to partly operate in off-peak timeslot to utilise the available energy most efficiently.

In 2021, Green Hydrogen Systems installed charging stations to encourage employees to choose electric vehicles as their main transport solution.

Environmental certification

In Q3 2021, Green Hydrogen Systems achieved certification in ISO 14001 setting a framework to manage environmental aspects, fulfill 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 are key to attract and retain employees. Green Hydrogen Systems continuously promotes an organisational culture with the safety mindset "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 has achieved certification for occupational health and safety management through ISO 45001. The focus on a safe working environment is present at all levels in the organisation. In 2021, the employees reported on observations, near-miss and accidents and any registration of incidents is topic for management attention daily.

187
Total number of employees
31 December 2021

16/84
Gender distribution
female/male %

9/91
Mgt gender distribution
female/male %

10.8
Voluntary employee
turnover %

5.4 LTIR
Out of 1,000,000
working hours

Sustainability (continued)

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' sustainability policy and diversity policy. By 31 December 2020, the underrepresented gender is female and constituted 11% of the workforce which by 31 December 2021 has been increased to 16%. The increase should be seen as a result of the specific efforts in the recruitment processes attracting highly competent females.

As the Company believes that diversity and inclusion must be anchored at 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 focus on gender pay equality. The Board of Directors consists of seven 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 minimum 40% female members of the Board of Directors elected by the ordinary general meeting 2024. The target was not achieved in 2021 since the General Assembly did not choose to make changes to the Board of Directors in 2021.

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. Further, Green Hydrogen Systems respects the right of employees to join or not to join labour organisations and to engage in collective bargaining. Green Hydrogen Systems position on human rights is governed in 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 incorporate measures as part of the company' 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 2021, the business operation has not given rise to any reports on human rights misbehaviour directly to management or through the company' whistleblower 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 the governance, Green Hydrogen Systems has established a number of policies that have been implemented in the 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.

Whistleblower

To reinforce the direct, daily communication in the workplace regarding errors and unsatisfactory conditions, Green Hydrogen Systems has established a whistleblower scheme. The scheme creates a secure framework for employees and external parties to speak up about problematic issues at the Company while being able maintain anonymity. The whistleblower 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 are 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-coruption, 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, and 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 2021, the business operation has not given rise to any reports on corruption or other supplier related misbehaviour directly to management or through the company' whistleblower function.

Our commitment

In 2022, Green Hydrogen Systems will continue to increase its effort within sustainability. The company will establish a data management framework to collect sustainability related information while establishing target figures for the current business plan period. Green Hydrogen Systems will also seek to become a signatory to the UN Global Compact, reinforcing its commitment to the ten principles of human rights, labour rights, anti-corruption, and the environment, that serve as the foundation of the Company's work with sustainability.

Risk **management**

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

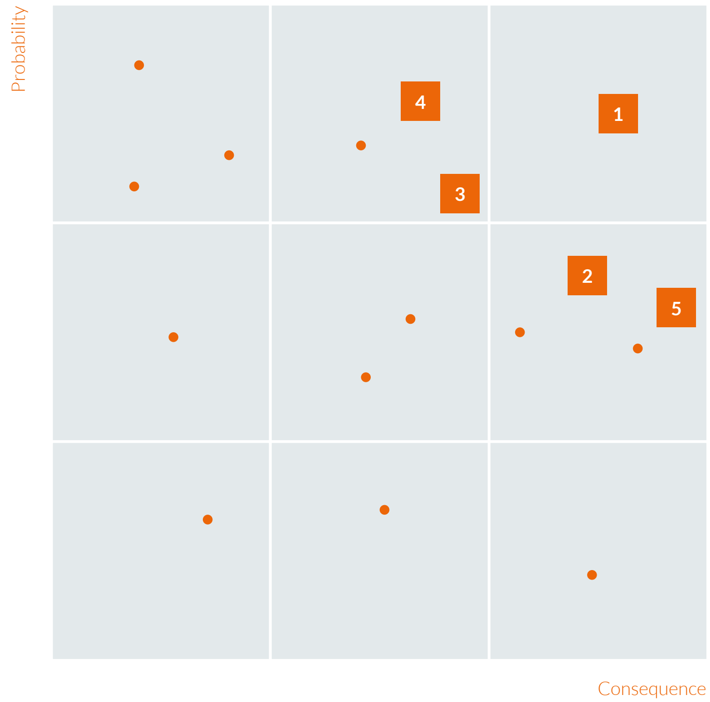
It is an essential part of good governance and helps to:

- 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 at the Board of Directors and the Audit Committee.

The Executive Management Group is in charge of 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. Market development
3. IT security
4. Talent attraction & retention
5. Safety

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 the 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 develpopment of relevant product offerings

Market development

Description: The political sentiment towards green hydrogen is crucial as the market for green hydrogen relies strongly on continued cross-border regulations. Furthermore, public funding and private investment is required to support the hydrogen value chain from construction of renewable energy sources and electrolysis equipment to hydrogen off-take or e-fuels refined from hydrogen. Such maturation of the value chain will help bringing down LCOH and to accelerate the adoption of green hydrogen in the energy mix.

Risk: Policies supporting the commercialisation of the green hydrogen market may change or not come into existence at all due to any number of reasons, including an absence of political will, political focus shifting towards other alternatives, and/or a lack of public funding. A lack of governmental support might also impact the willingness of private participants to invest in green hydrogen projects. This could cause the development and growth of the green hydrogen market, including electrolysis technologies, to slow down and the market for electrolysers might be materially impaired.

Mitigation:
- Green Hydrogen Systems acts as a thought leader in the green hydrogen industry and engages in public and governmental discussions on regulations towards green hydrogen
- Focus on scaling of technology and capacity lowering LCOH to reach cost parity with fossil fuels which will minimise the need for industry grants
- Green Hydrogen Systems' capital structure and scaling efforts are independent of direct grants

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 187 as of 31 December 2021.

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 recruitment of talented employees which on a continued basis may be challenged in a new industry segment such as the green hydrogen industry where labor 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, test, 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 hiring and onboarding of new employees
- The electrolysers are tested at the factory according to applicable governmental safety meassures
- Automated software will shut down the electrolysers in the event of any hydrogen-related irregularities

Govern**nance**

Corporate governance / Shareholder information /
Executive Management & Board of Directors

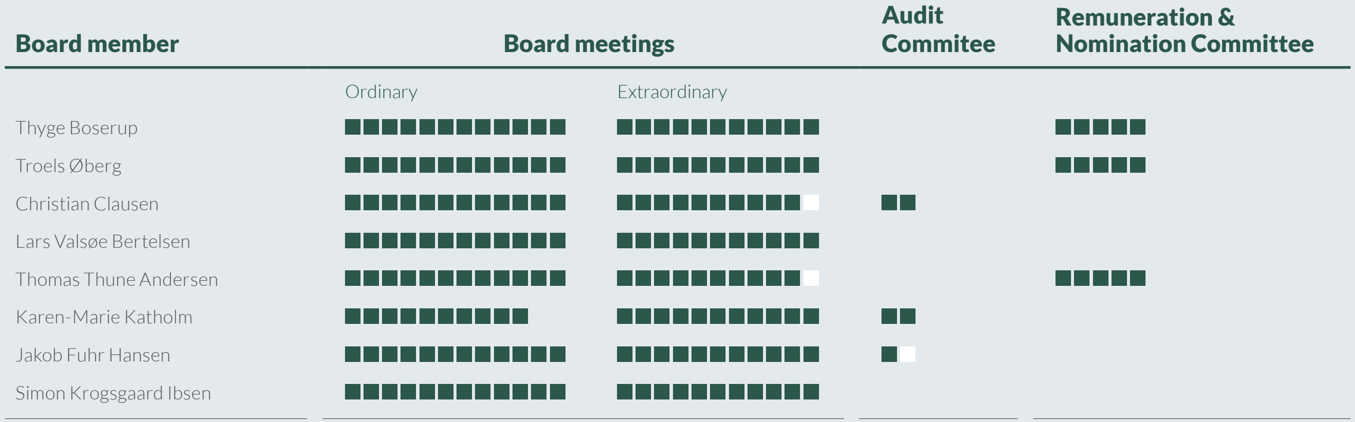
3

Corporate **governance**

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 annual general meeting, the shareholders vote to approve the annual report for the past year and any proposed revisions to Green Hydrogen Systems' Articles of Association. The shareholders also elect board members and the independent auditor. Board members elected by the shareholders at the Annual General Meeting serve for one-year terms and are eligible for re-election.

Meeting attendance



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 and the Executive Management. 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, financial, operational, R&D and HR related activities.

As of 31 December 2021, the Board of Directors consisted of eight 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 and a Remuneration & Nomination Committee have been established. The Audit Committee assists the Board of Directors in overseeing aspects relating to accounting, auditing, risks, internal 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.

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

Corporate **governance**

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 is 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 2021, 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 2021 to further increase the Board of Directors' focus on developing and implementing the strategy and the monitoring 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 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 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 and Remuneration & Nomination 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 considerations 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 which 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 2021 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 2021 at **investor.greenhydrogen.dk**

Shareholder **information**

Share price development

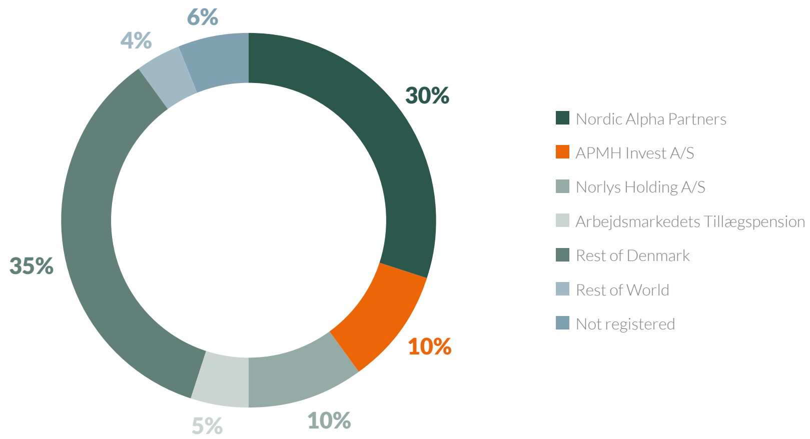
The Green Hydrogen Systems share closed at DKK 34.4 per share at 31 December 2021 with a total market capitalisation of DKK 2,816 million. Since the IPO of Green Hydrogen Systems on 17 June 2021, the share price has decreased by 14.2%. In comparison, the global share index for renewables iShare Global Clean Energy decreased by 3.4%, while the Nasdaq Copenhagen MidCap index, of which Green Hydrogen Systems is a component, increased by 6.1% during the same period.

The daily average trading volume of the Green Hydrogen Systems share was 126,031 shares, corresponding to an average of DKK 4.9 million per day. The daily average trading volume for the Nasdaq Copenhagen MidCap index was DKK 13 million.

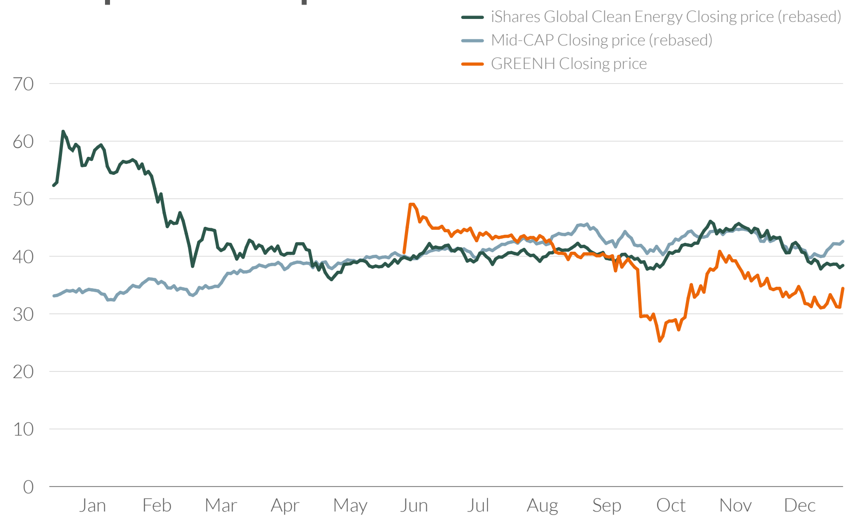
Share capital and ownership structure

Green Hydrogen Systems' share capital amounts to 81,986,929 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 2021, Green Hydrogen Systems had +13,000 registered shareholders. The diagram 'Ownership structure' shows the composition of the shareholders highlighting geographical presence and holdings above 5% of the share capital.

Ownership structure (approximate figures)



Share price development



Share information

Stock exchange:	Nasdaq CPH A/S
Index:	Mid Cap
Share capital (DKK):	81,986,929
Number of shares:	81,986,929
Nominal value (DKK):	1
ISIN code:	DK0061540341
Trading symbol:	GREENH
Share price at year-end (DKK):	34.35
Treasury shares:	n/a

Financial Calendar 2022

Annual General Meeting:	30 March 2022
Q1 2022 trading statement:	3 May 2022
Q2 2022 interim report:	25 August 2022
Q3 2022 trading statement:	1 November 2022

Group Management
& Board of Directors

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)

Kasper Tipsmark
CTO

Danish, born 1980

With Green Hydrogen Systems since 2019

Previous experience:
Green Hydrogen Systems (Head of Technology), Siemens Energy (Senior Project Manager)

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
CHRO

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)

Executive management
& Board of Directors

Board of Directors

Thyge Boserup
Chairman (Independent)

Danish, born 1970

Other positions:
ReNew Advisory, Obton Group Holding (board member)

Previous experience:
Ørsted (SVP, Wind Power), Saxo Bank (CCO), Danisco (VP), ISS (SVP)

Troels Øberg
Vice Chairman

Danish, born 1978

Other positions:
Partner at Nordic Alpha Partners, AgroIntelli (board member)

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

Lars Valsøe Bertelsen
(Independent)

Danish, born 1967

Other positions:
Norlys (Head of M&A), Aros Capital Fondsmæglerselskab (board member)

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

Christian Clausen
(Independent)

Danish, born 1955

Other positions:
BlackRock Group Ltd (board member), BW Group (board member), Sampo Group (board member)

Previous experience:
Nordea (Group CEO)

Executive management
& Board of Directors

Board of Directors

Thomas Thune Andersen
(Independent)

Danish, born 1955

Other positions:
Ørsted (Chairperson), VKR Holding (Chairperson), Lloyds Register (Chairperson), BW Group (board member)

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

Karen-Marie Katholm
(Independent)

Danish, born 1967

Other positions:
AkzoNobel (Chief Supply Chain Officer), AgroIntelli (Chairperson), Nordic Transport Group (board member), Terma (board member), Chr. Augustinus Fabrikker (board member)

Previous experience:
Nutreco, Arla Foods, United Biscuits, Lego

Jakob Fuhr Hansen

Danish, born 1974

Other positions:
Partner at Nordic Alpha Partners, AgroIntelli (board member), ReMatch (board member)

Previous experience:
Partner Vækstfonden, Microshade (Chairperson)

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

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Financial **statements**

Management´s statement / Independent auditor´s report / Financial statements / Notes / Definition of terms

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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 2021.

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 2021 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2021.

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 2021 with the file name 984500COESDF699DEC11-2021-12-31-en.zip 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, 2 March 2022

Executive Management

Sebastian Koks Andreassen

Ole Vesterbæk

Board of Directors

Thyge Boserup (Chairperson)

Troels Øberg (Vice chairperson)

Lars Valsøe Bertelsen

Christian Clausen

Thomas Thune Andersen

Jakob Fuhr Hansen

Simon Krogsgaard Ibsen

Karen-Marie Katholm

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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2021 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 2021 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 ("Financial Statements").

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

On 17 June 2021, Green Hydrogen Systems A/S completed its Initial Public Offering and was admitted to trading and official listing on Nasdaq Copenhagen. We were appointed as auditor of Green Hydrogen Systems A/S prior to the official listing on Nasdaq Copenhagen.

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 2021.

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 has identified only one cash-generating unit; GHS' main electrolyser activities. As a result, completed and in progress development projects are tested for impairment together.. We focused on this area, because Management is required to exercise considerable judgement, and because of the inherent complexity and subjectivity in estimating future events which causes significant estimation uncertainty. 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 including 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. For development projects in progress we evaluated and challenged the impairment tests performed by Management including the assumptions applied. We discussed with Management and evaluated the methodology by which Management monitors indicators of impairment of completed development projects including the commercial expectations for the projects and significant assumptions applied. Further, in addressing the risk, we considered the appropriateness of Management defined CGU. We examined the methodology used by Management for identifying CGUs that required impairment testing to determine compliance with IFRS as adopted by the EU. 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 built up large inventories in 2021 compared to previous years as a result of 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 both work in progress (WIP) and finished products are 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. In 2021, a write-down of inventory was recognised due to expected negative margins on electrolyers under construction and late delivery rebates related to some of these electrolysers. As these onerous contracts relate to units under construction, a write-down of inventories was recognised. We focused on this area, because estimation uncertainty is high, as Management is required to exercise considerable judgement in respect of determing assumptions applied to raw materials and labour in determining the estimated 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 provided by Management, sample tested input data and evaluated the explanations provided by Management. Management also prepared a reconciliation of expected negative margins on the electrolysers under construction and estimated late delivery rebate. We compared this reconciliation to the terms in the related sales contracts, and on a sample basis we verified the expected cost to complete the electrolysers under construction, 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, pages 4 - 34.

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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 January 1 to December 31, 2021 with the filename 984500COESDF699DEC11-2021-12-31-en.zip 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.

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 voluntary or 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;
- 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 January 1 to December, 31 2021 with the file name 984500COESDF699DEC11-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 2 March 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

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

Incomce **Statement**

Statement of profit or loss

DKK '000	Notes	2021	2020
Revenue from contracts with customers	3, 4	5,172	9,433
Other operating income	8	2,382	2,793
Total revenue & operating income		**7,554**	**12,226**
Changes in inventory of finished goods and work in progress		25,580	36
Raw materials and consumables used		(57,323)	(17,208)
Work performed by the Company and capitalised		49,272	10,485
Employee costs	5	(108,374)	(39,571)
Other operating expenses	9	(65,159)	(35,585)
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)		**(148,450)**	**(69,617)**
Depreciation and amortisation	6	(14,883)	(3,072)
Operating profit/(loss) (EBIT)		**(163,333)**	**(72,689)**
Financial income	10	637	2
Financial expenses	11	(335,675)	(2,861)
Profit/(loss) before tax		**(498,371)**	**(75,548)**
Income tax	12	5,500	2,307
Profit/(loss) for the period		**(492,871)**	**(73,241)**
Earnings per share attributable to shareholders	24	**(7.85)**	**(2.47)**
Diluted earnings per share attributable to shareholders	24	**(7.85)**	**(2.47)**

Statement of comprehensive income

DKK '000	Notes	2021	2020
Profit/(loss) for the year		(492,871)	(73,241)
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		(2,171)	0
Other comprehensive income for the year		**(2,171)**	**0**
Total comprehensive income for the period		**(495,042)**	**(73,241)**

Balance **sheet**

DKK '000	Notes	31 December 2021	31 December 2020
Intangible assets	13	58,912	16,459
Property, plant and equipment	14	161,297	20,635
Financial assets at fair value through other comprehensive income	15	691,494	0
Right-of-use assets	17	8,235	14,535
Deposits		527	6,205
Total non-current assets		**920,465**	**57,834**
Inventories	18	73,423	7,611
Trade receivables	19	3,681	4,052
Income tax receivables		5,500	2,527
Prepayments		1,813	227
Other receivables		23,194	4,694
Cash and cash equivalents		266,924	155,953
Total current assets		**374,536**	**175,064**
Total assets		**1,295,001**	**232,898**

Balance **sheet**

DKK '000	Notes	31 December 2021	31 December 2020
Share capital	21	81,987	36,805
Share premium		1,740,789	39,328
Reserve for development costs		43,189	12,147
Reserve for financial assets at fair value through other comprehensive income		(2,171)	0
Accumulated deficit		(691,953)	(92,357)
Total equity		**1,171,842**	**(4,077)**
Borrowings	22, 23	0	170,287
Lease liabilities	17, 23	3,938	12,303
Other payables		0	1,350
Total non-current liabilities		**3,938**	**183,940**
Borrowings	22, 23	0	4,089
Trade payables	23	42,850	25,358
Lease liabilities	17, 23	3,460	2,228
Contract liabilities	20	27,576	7,889
Deferred income	8	31,614	3,239
Provisions	25	3,114	984
Other payables		10,607	9,248
Total current liabilities		**119,221**	**53,035**
Total liabilities		**123,159**	**236,975**
Total equity and liabilities		**1,295,001**	**232,898**

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 2020		**22,204**	**18,115**	**5,002**	**0**	**(24,787)**	**20,534**
Profit for the period		0	0	7,145	0	(80,386)	(73,241)
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income for the period		**0**	**0**	**7,145**	**0**	**(80,386)**	**(73,241)**
Transactions with owners in their capacity as owners							
Capital increase, cash		1,237	1,168	0	0	0	2,405
Exercise of warrants, cash		739	0	0	0	0	739
Conversion of loan into shares, non cash		13,645	20,045	0	0	0	33,690
Cancellation of treasury shares		(1,020)	0	0	0	(30)	(1,050)
Share-based payments	7	0	0	0	0	12,846	12,846
Total transactions with owners		**14,601**	**21,213**	**0**	**0**	**12,816**	**48,630**
Equity at 31 December 2020		**36,805**	**39,328**	**12,147**	**0**	**(92,357)**	**(4,077)**
Profit 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 period		**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	7	0	0	0	0	16,033	16,033
Transaction costs for equity issuance		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**

Cash flow **statement**

Cash flow statement

DKK '000	Notes	2021	2020
Loss for the year		(492,871)	(73,241)
Changes in net working capital	32	(14,286)	31,307
Adjustments	32	362,584	15,957
Interests received		0	2
Interests paid		(13,348)	(572)
Income taxes paid/received		2,527	1,375
Net cash flow from operating activities		**(155,394)**	**(25,172)**
Payment for property, plant and equipment	14	(145,417)	(20,647)
Sale of property, plant and equipment	14	0	0
Payment for development costs	13	(46,889)	(10,978)
Payment for financial assets at fair value through other comprehensive income	15	(699,959)	0
Sale of financial assets at fair value through other comprehensive income	15	5,494	0
Net cash flow from investing activities		**(886,771)**	**(31,625)**
Principal elements of lease payments	29	(4,658)	(1,008)
Proceeds from borrowings	29	0	202,997
Repayment of borrowings	29	(19,829)	(745)
Proceeds from share issues		1,269,338	3,144
Transaction costs for equity issuance		(91,715)	0
Purchase of treasury shares		0	(1,050)
Cash flow from financing activities		**1,153,136**	**203,338**
Net cash flow for the period		**110,971**	**146,541**
Cash and cash equivalents, beginning of the year		155,953	9,412
Cash and cash equivalents at end of the period		**266,924**	**155,953**

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Notes

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 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.

Changes in accounting policies

New and amended standards and interpretations adopted by the Company

The Company has adopted all new and amended standards that are effective as of 1 January 2021 as adopted by the EU. None of the new or amended standards have had a significant impact on the Company's financial statements for the period and are further not expected to have any impact on the financial reporting for future periods. Except for immaterial reclassifications, the comparative information has not been restated.

In April 2021, the IASB ratified the IFRS IC's agenda decision regarding configuration and customisation costs in cloud computing arrangements. The agenda decision clarifies when a customer would be able to recognise an intangible asset for the configuration and customisation costs incurred. Green Hydrogen Systems is in the process of implementing a new ERP cloud solution that will support the Company's expected growth and the execution of the Company's strategy. The Company previously accounted for such configuration and customisation costs incurred by recognising an intangible asset. According to the IFRS IC agenda decision the Company is to recognise an intangible asset if the recognition criteria in IAS 38 are met. If not, the configuration and customisation costs are capitalised and expensed over the term of the arrangement to the extent the costs incurred are for services that are not distinct from the cloud computing arrangement. Otherwise, the costs are recognsied in the income statement as incurred. By adopting the treatment set out in the IFRS IC agenda decision, the Company has recognised DKK 2,573 thousand as costs in the income statement for 2021 under other operating expenses, which previously were recognised as an intangible asset. A change in accounting policy is in accordance with IFRS to be accounted for retrospectively. However, the adoption of this IFRS IC's agenda decision did not have any significant impact on the previous periods' financials, thus the comparative information has not been restated.

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 i.e. 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 shown in these financial statements.

Revenue

Revenue from contracts with customers is recognized when control of the 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.

Customer contracts may include multiple promises such as delivery of equipment, commissioning and after sale maintenance service. By applying the criteria in IFRS 15 the delivery of the equipment and the related commissioning has been determined to comprise a single performance obligation, whereas the maintenance service is considered a separate performance obligation. In accordance with IFRS 15, the transaction price is allocated to the identified performance obligations based on their relative stand-alone selling prices.

Customer payments for electrolyser solutions are normally made in installments based on contractual defined milestones and payment terms. Customer payments for maintenance service are normally due in advance of the maintenance service period. 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 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 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. Further information about the Company's accouting policy for grants, see note 8.

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. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

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 electrolyzers 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 plant, fixtures 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 fair value 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 19 for a description of the Company 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 other gains/(losses). 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 other gains/(losses).

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 includes 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 transaction 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 out standing 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 using the effective interest method. 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.

Convertible loans denominated in foreign currencies that will be settled by the Company delivering a fixed number of its own shares in exchange for a fixed amount of foreign currency, fail the 'fixed for fixed' requirement. The equity conversion option is therefore separated from the loan and accounted for separately as a derivative. The conversion option is initially measured at fair value, thus the remainder of the proceeds is allocated to the loan, when this is considered to be equal to its fair value. This amount is recorded as a financial liability on an amortised cost basis until extinguished on conversion or maturity of the loan. The conversion option is presented in the balance sheet within Borrowings and is subsequently measured at fair value through profit or loss.

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.

Contract liabilities

A contract liability is the obligation to transfer goods 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.

The fair value of the warrants and restricted stock units granted under equit setteled programs the 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 and restricted stock units.

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 and restricted stock 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.

Further information about the warrant 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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the reporting periods in which they become mandatory or in future periods.

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 believes 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 2021, the Company has unrecognised deferred tax assets of DKK 71,960 thousand, hereof the tax value of tax losses carried forward amounts to DKK 67,935 thousand (tax loss carry-forward of DKK 308,796 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 show 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 electrolyzers and electrodes. In the case of there being a trigger for a review of impairment of completed development project, 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 electrolysis systems 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 CO_2 emissions, regulatory push in national hydrogen roadmaps as well as decreasing cost of green hydrogen. As of 31 December 2021, the carrying amount of development projects in progress is DKK 30,843 thousand (2020: DKK 11,899 thousand). The recoverable amount is tested for impairment, in the form of an comparison of the equity and market value of the company.

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

Inventories are measured at the lower of cost and net realisable value. As of 31 December 2021, the Company has a write-down of inventory amounting to DKK 17,208 thousand that was recognised as an expence due to expected negative margins on electrolysers under construction and late delivery rebates related to some of these electrolysers. As these onerous contracts relate to units under construction, 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.

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. Under IFRS 15, each distinct good or service that an entity promises to transfer is a performance obligation.

In applying the criteria in IFRS 15 to determine whether the goods and services are capable of being distinct Management considers factors such as:

- the commissioning service is not sold on a stand-alone basis,
- the commissioning service requires high degree of literacy and technical capabilities.

Consequently, Management has determined that the sale of electrolysers and the related commissioning are not capable of being distinct, because the customer cannot benefit from neither the electrolyser or the commissioning on its own. The promises are therefore accounted for as a separate performance obligation.

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.

Share-based payments
The Company has introduced a warrant program, which entitles the warrant holder to subscribe for A shares in the Company when certain conditions are met, cf. note 7. Upon exercise, the Company is entitled to demand 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 cash settlement in an amount equal to the net value of the warrant.

As the Company has the choice of settlement, the classification of the warrant program as either cash-settled or equity-settled by determining whether, in substance, the Company has an obligation to settle the program in cash, even where it can choose the settlement method. For that purpose, the Company considers its intent to settle in cash and the practical ability to settle in equity. As the warrants are exercisable only in the occurrence of an exit-event, where the warrants will become liquid, the Company has not created any expectations for the warrant-holders that the program will be settled in cash. On that basis, Management has concluded the share-based payment program to be classified as being equity-settled.

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.

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 for the 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 location of the respective customers), product offering and application. Revenue is attributed to the geographical segments Europe, Asia-Pacifi, and rest of the world.

The following table displays external revenue by geographical areas:

DKK '000	2021	2020
Europe	5,172	9,433
Asia-Pacific	0	0
Rest of the world	0	0
Total Revenue	**5,172**	**9,433**

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

DKK '000	2021	2020
Denmark	899	8,987
Sweden	1,490	12
Other	2,783	434
Total Revenue	**5,172**	**9,433**

Revenues of DKK 2,519, 1,490 and 657 thousand respectively are derived from three external customers in 2021. Revenue of DKK 7,983 thousand are derived from a single customer in 2020. 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.

4. Revenue from contracts with customers

The following table displays revenue by product offering:

DKK '000	2021	2020
Product revenue	4,931	5,303
Service and other revenue	242	4,130
Total revenue by product offering	**5,172**	**9,433**
Revenue recognised at a point in time	4,931	8,618
Revenue recognised over time	242	815

The following table displays revenue by product application:

DKK '000	2021	2020
Power-to-X*	3,440	8,810
Transportation	242	523
Industry	1,490	100
Total revenue by product application	**5,172**	**9,433**

*Power-to-X relates to products for indirect use as the basis for the production of green fuels.

Information about revenue derived in individual countries and geographical areas has been included in note 3.

5. Employee costs

DKK '000	2021	2020
Wages and salaries	81,041	23,462
Pensions, defined contribution plans	9,558	2,686
Share-based payment	16,033	12,845
Other social security costs	1,078	178
Other employee costs	664	400
Total employee costs	**108,374**	**39,571**
Average number of employees	110	37

Key management compensation

Key management consists of Executive Board and Board of Directors.

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

DKK '000	Executive Board*	Board of Directors	Total key management personnel
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 period 1 March to 18 August. The full year remuneration related to the company's CFO is included.

DKK '000	Executive Board*	Board of Directors	Total key management personnel
2020			
Wages, salaries and board fees	1,404	171	1,575
Pensions, defined contribution plans	195	0	195
Share-based payment	5,098	987	6,085
Total remuneration	**6,697**	**1,158**	**7,855**

6. Depreciation and amortisation

DKK '000	2021	2020
Amortisation of intangible assets	6,303	2,042
Depreciation on property, plant and equipment	4,755	207
Depreciation on right of use assets	3,825	823
Total	**14,883**	**3,072**

7. Share-based payment plans

In 2021, the Company introduced a share-based payment programs to members of the Board of Directors, Executive Management and selected key employees.

In 2020, the Company also introduced a restricted stock units program (RSU program) to the Executive Management.

Warrant program

In 2020, the Company's shareholders approved the establishment of the warrant programs to members of the Board of Directors, Executive management and selected key employees.

The program was established with the purpose to create further incentive to 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. Further, the program is to be instrumental to retaining the participants in the Company.

Under the program, the participants were granted warrants in the Company for no consideration, which entitle the warrant holder to subscribe for A-shares in the Company of a nominal value of DKK 1 without preemption right for the shareholders of the Company. Participation in the warrant program is at the board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

7. Share-based payment plans (continued)

The warrants are vesting over a period of two years, proportionally once a year unless vested earlier in conncetion with an Exit-event. The exercise prices of the warrants are listed below for the respective years.

Vested warrants are exercisable only upon an exit event and conditional on the warrant holder's employment or engagement with the Company have not terminated. However, vested warrants are exercisable only until the expiration date as specified in the table further below. Upon the occurrence of an exit-event, all warrants will become fully vested conditional on the holder's continuing employment. All outstanding warrants are subject to a lock-up arrangement and will not be exercisable until 360 days after the exit-event. The arrangement waas added as a change in conditions, during 2021, resulting in a insignificant revaluation of the warrants. The IPO, in June 2021, was an exit-event meaning that all warrants are vested, end of 2021. The cost of the warrant program is recognised over the expected vesting period considering the impact from accelerated vesting and expected time to exit.

Upon the warrant holder's exercise, the Company is entitled to demand 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 cash settlement in an amount equal to the net value of the warrant. As further described in note 2, the warrant program is classified as an equity-settled program.

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	2021	2020	2021	2020	2021	2020
As at 1 January	2.47		3,388			
Granted during the year	2.47	2.47	133	3,388	10,83	7.16
Exercised during the year	2.47		(1,453)		6,81	
Forfeited during the year	2.47		(133)		6,97	
As at 31 December	**2.47**	**2.47**	**1,935**	**3,388**	**7,70**	**7.16**
Vested and exercisable at 31 December						

For warrants exercised during 2021, the weighted-average share price at the date of exercise was DKK 40. The weighted-average exercise prices of warrants exercised were DKK 2.47. During 2020, no warrant under the program were exercised.

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

DKK '000	Expiry date	Exercise price 2021	Exercise price 2020	Warrants 31 December 2021 (thousand) 2021	Warrants 31 December 2021 (thousand) 2020
Grant date					
21 August 2020	28 August 2029	2.47	2.47	265	1,439
21 August 2020	31 December 2029	2.47	2.47	796	796
21 August 2020	25 February 2030	2.47	2.47	265	265
1 September 2020	31 August 2030	2.47	2.47	198	612
1 November 2020	31 December 2030	2.47	2.47	276	276
1 February 2021	31 January 2031	2.47	2.47	133	0
		2.47	2.47	1,935	3,388
Weighted average remaining contractual life of warrants outstanding at the end of period (years)		**8.07**	**9.07**		

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 2020 included:

a. Share price at grant date: DKK 10.95
b. Exercise price: DKK 2.47
c. Expected price volatility of class A-shares: 86.83%
d. Risk-free interest rate: -0.54%
e. Expected maturity: 2.61 years
f. Probability of Exit: 0.82

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 is 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 is determined using interpolation between two data points related to actual capital transactions that occurred in 2020. The same price has been used for the grant in February 2021 as the assumptions have not changed between the grant dates.

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

RSU program

The RSU program was introduced on 1 November 2020 and involves the Executive Management member. The program entitles the Executive Management member 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 Executive Management member is entitled to receive shares corresponding to 0.75% of the share capital at the time of exit. The program is contingent on the Executive Management member still being employed at the time of exit.

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 3,602 thousand was recognized in the income statement for 2021 (2020: DKK 562 thousand). The cost is recognized on a straight line basis, as the services are rendered, over the expected service period.

The fair value of the shares granted is based on the share price of class A shares which was determined using interpolation between two data points related to actual capital raises that occurred in 2020, adjusted for the probability that the exit event will occur. The participant in the RSU programme is not entitled to dividend during the vesting period.

Previous warrant programs

On 10 June 2016, the Company also granted a total of 739,097 warrants to a key employee which vested immediately. All of those warrants were exercised in 2020, with an exercise price of DKK 1. At time of exercise, the weighted average share-price was DKK 2.47.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

DKK '000	2021	2020
Equity-settled programs	16,033	12,845

8. Other operating income and deferred income

DKK '000	2021	2020
Government grants	1,584	2,793
Gains on disposals of property, plant and equipment and leases	798	0
Total	**2,382**	**2,793**
Government grants recognised within other operating income relate to the following:		
Government grants related to income	391	1,751
Government grants related to assets, amortized	1,193	1,042
Total	**1,584**	**2,793**

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	2021	2020
Government grants at beginning of period	3,239	3,374
Grants received	29,959	907
Grants recognised as income	(1,584)	(1,042)
Government grants as of 31 December	**31,614**	**3,239**

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	2021	2020
Government grants receivable recognised in other operating income, and presented within other receivables in the balance sheet	0	624

9. Other operating expenses

DKK '000	2021	2020
Sales and marketing costs	2,853	6,722
Administration costs	11,048	2,172
Consultancy services costs	29,482	21,198
Other general costs	21,776	5,493
Total	**65,159**	**35,585**

Consultancy services costs incurred in 2021 amounting to DKK 11,951 thousand (2020: 18,613) 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.

10. Financial income

DKK '000	2021	2020
Foreign exchange rate gains	329	2
Interest income on financial assets measured at amortised cost	308	0
Total	**637**	**2**

11. Financial expenses

DKK '000	2021	2020
Interest expense on borrowings	(18,174)	(2,177)
Interest expense on lease liabilities	(1,532)	(179)
Interest on financial liabilities measured at amortised cost	(19,706)	(2,356)
Fair value loss on derivatives at fair value through profit or loss	(317,489)	(999)
Foreign exchange rate losses	(348)	(18)
	(317,837)	(1,017)
Of which capitalized	1,868	512
Total	**(335,675)**	**(2,861)**

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 25% (2020: 25%) The Company has not obtained specific borrowings for the purpose of financing its development projects.

The fair value of the warrants and restricted stock units granted under equit setteled programs the 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 and restricted stock units.

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

12. Tax on profit for the period

DKK '000	2021	2020
Current tax on loss for the period	5,500	2,307
Deferred tax	0	0
Total tax on loss for the period	**5,500**	**2,307**
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	(109,642)	(16,620)
Tax effects of:		
Permanent differences between tax and accounting purposes:		
Non-deductible part of consultancy services, cf. note 9	2,018	4,356
Fair value adjustments, cf. note 11	69,848	0
Other	(25,222)	(564)
Change in unrecognized deferred tax asset	57,498	10,522
Total adjustments	**104.141**	**14,314**
Income tax as included in the statement of profit or loss	(5,500)	(2,307)
Effective tax rate	**1%**	**3%**

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.

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 2021, this amounted to DKK 7,172 thousand (2020: DKK 9,388 thousand) including indirect production costs.

Development projects in progress includes the Company's ongoing developement activities related 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 2021 (2020: 0).

DKK '000	Completed development projects	Other intangibles	Development projects in progress	Total
Cost:				
At 1 January 2020	0	1,025	6,413	7,438
Additions during the year	0	493	10,997	11,490
Transferred	5,511	0	(5,511)	0
At 31 December 2020	**5,511**	**1,518**	**11,899**	**18,928**
Accumulated amortisation and impairment:				
At 1 January 2020	0	(427)	0	(427)
Amortisation for the year	(1,837)	(205)	0	(2,042)
At 31 December 2020	**(1,837)**	**(632)**	**0**	**(2,469)**
Carrying amount 31 December 2020	**3,674**	**886**	**11,899**	**16,459**
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**

14. Property, plant and equipment

DKK '000	Plant and machinery	Leasehold improvements*	Other fixtures and fittings, tools and equipment	Buildings	Real estate and similar rights	Assets under construction	Total
Cost:							
At 1 January 2020	0	81	513	0	0	0	594
Additions during the year	0	10,117	10,530	0	0	0	20,647
At 31 December 2020	**0**	**10,198**	**11,043**	**0**	**0**	**0**	**21,241**
Accumulated amortisation and impairment:							
At 1 January 2020	0	(33)	(367)	0	0	0	(400)
Depreciation for the year	0	(22)	(184)	0	0	0	(207)
At 31 December 2020	**0**	**(55)**	**(551)**	**0**	**0**	**0**	**(606)**
Carrying amount 31 December 2020	**0**	**10,143**	**10,492**	**0**	**0**	**0**	**20,635**
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**

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

15. Financial assets at fair value through other comprehensive income

DKK '000	31 December 2021	31 December 2020
Cost at January 1	0	0
Additions for the year	699,959	0
Disposals for the year	(5,494)	0
Cost at December 31	**694,465**	**0**
Accrued interest	**(800)**	
Fair value adjustment at January 1	0	0
Fair value adjustment for the year	(2,171)	0
Fair value adjustment at December 31	**(2,171)**	**0**
Net book value at December 31	**691,494**	**0**

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 2021	31 December 2020
Listed bonds		
Gains / losses recognised in other comprehensive income	(2,171)	0
Interest expence from investments held at fair value through other comprehensive income recognised in the income statement	(800)	0
	(2,971)	**0**

16. Deferred tax

As of 31 December 2021, the Company has a deferred tax asset of DKK 71,960 thousand (31 December 2020: DKK 14,462 thousand) which has not been recognised in the balance sheet. The deferred tax asset include tax losses to be carried forward of DKK 308,796 thousand (2020: DKK 59,416 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 2021	31 December 2020
Deferred tax		
Deferred tax at beginning of period	0	0
Deferred tax recognised in the statement of profit or loss	0	0
Deferred tax recognised directly in equity	0	0
Deferred tax at 31 December	**0**	**0**
Deferred tax relates to:		
Intangible assets	(12,181)	(3,512)
Deferred income	1,793	713
Right of use assets	(1,812)	(3,198)
Lease liabilities	1,713	3,197
Warrants under share-based payment programs	12,699	4,335
Tax losses carried forward	67,935	13,071
Other	1,813	(144)
Total	**71,960**	**14,462**
Deferred tax asset not recognized in the balance sheet	71,960	14,462
Deferred tax asset, recognized	**0**	**0**

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 natur.

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

The Company has recognised the following amounts relating to leases:

DKK '000	31 December 2021	31 December 2020
Right-of-use assets		
Properties	3,730	12,285
Vehicles	3,480	2,250
Furniture	1,025	0
Total	**8,235**	**14,535**
Lease liabilities		
Current	3,460	2,228
Non-current	3,938	12,303
Total	**7,398**	**14,531**
Additions to the right-of-use assets were	3,296	15,167

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	2021	2020
Depreciation charge of right-of-use assets		
Properties	(1,473)	(381)
Vehicles	(1,417)	(442)
Furniture	(67)	0
Total depreciations	**(2,957)**	**(823)**
Interest expense (included in finance expenses)	1,532	179
Expense relating to short-term leases (included in other operating expenses)	863	868
The total cash outflow for leases	7,052	2,055

The total future undiscounted cash outflows relating to leases that have not yet commenced amount to 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	2021	2020	2021	2020	2021	2020	2021	2020
	1,481	1,742	2,615	7,600	505	19,158	4,601	28,500

18. Inventory

DKK '000	31 December 2021	31 December 2020
Inventory		
Raw materials	45,099	4,867
Work in progress	24,432	0
Finished goods	3,892	2,744
Total	**73,423**	**7,611**

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

Inventories recognised as an expense during the year ended 31 December 2021 amounted to DKK 57,323 thousand (2020: DKK 17,208 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 17,402 thousand (2020: DKK 4,410 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 2021 includes write-downs of inventory items that are dedicated to fulfill customer contracts (2020: DKK 0 thousand)

19. Trade receivables

DKK '000	31 December 2021	31 December 2020	1 January 2020
Trade receivables			
Trade receivables	3,681	4,052	12,601

Trade receivables are amounts due from customers for delivery of electrolyzers 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.

To assess the credit risk of a customer, prior to entering into a binding sales agreement, it is the Company's policy to evaluate the customer's credit rating provided by external credit rating agencis. In addition, 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 amount outstanding. The Company has historically not incurred any material losses from trade receivables. The existence of Covid-19 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.

20. Contract balances

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

DKK '000	31 December 2021	31 December 2020
Contract balances		
Trade receivables	3,681	4,052
Contract liabilities	27,576	7,889

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. In 2021, DKK 4,200 thousand of the opening balance of contract liabilities have been recognised during the year (2020: DKK 5,645 thousand).

Amount of the transaction price allocated to remaining performance obligations is DKK million. Management expects that 90-95% of the transaction price allocated to remaining performance obligations as of 31 December 2021 will be recognised as revenue during the next reporting period (2022). The remaining 5-10% will be recognised in the financial year of 2023 to 2026. 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 2020 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 og the reporting period, has not been disclosed in accordance with the practical expendient in IFRS 15.

The transaction price allocated to unsatisfied service and maintenance contracts that are billed based on time incurred as permitted under IFRS 15.

21. Share capital

DKK '000	31 December 2021		31 December 2020	
	Number of shares	Nominal value (DKK)	Number of shares	Nominal value (DKK)
The share capital comprise:				
A-shares	81,987	81,987	10,231	10,231
B-shares	0	0	26,574	26,574
Share capital (fully paid)	**81,987**	**81,987**	**36,805**	**36,805**

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

The class B-shares carry certain special rights, which provide the holders with liquidity preference to distributions such that holders of class A-shares will not receive any distributions until all proceeds up to the subscription price paid for the class B-shares plus a compound return of 8% p.a. has been paid to holders of B-shares, upon which further distributions are made disproportionately in favor of holders of A-shares until the A-shares have received the same distribution per share as the B-shares (catch-up). In connection with the initial public offering (IPO), the B-shares were converted into A-shares at a conversion rate of 1:1, as the valuation implied full catch-up for the holders of A-shares.

The company has in connection with the completed IPO incurred transaction cost for advisory, fees to investment bankers etc. amounting to DKK 115 million of which DKK 92 million have been deducted to equity. As the listing included existing and new shares the part of the qualifying transaction costs deducted from equity is based on the ratio between the number of new and existing shares.

21. Share capital (continued)

	A-Shares		B-Shares	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
DKK '000	Number of shares	Number of shares	Number of shares	Number of shares
Changes in share capital				
Opening balance	10,231	9,891	26,574	12,313
Capital increase, cash	31,682	621	0	616
Exercise of warrants	1,453	739	0	0
Conversion of loan into shares	12,047	0	0	13,645
Conversion of shares	26,574	0	(26,574)	0
Cancellation of treasury shares	0	(1,020)	0	0
Total	**81,987**	**10,231**	**0**	**26,574**

No dividends have been declared or paid out for 2021 or 2020.

22. Borrowings

The Company's borrowings consist of the following:

DKK '000	31 December 2021	31 December 2020
Borrowings		
Convertible loan (debt-host contract)	0	149,829
Conversion option liability	0	4,591
Other loans	0	19,956
Total borrowings	**0**	**174,376**
Current	0	4,089
Non-current	0	170,287
Total borrowings	**0**	**174,376**

Convertible loan

In December 2020, the Company entered into a convertibel loan facility denominated in EUR with an aggregate amount of DKK 205,821 thousand, of which DKK 154,365 thousand was drawn on 30 December 2020. The loan carried a fixed nominal interest rate of 9% p.a. and matured in December 2023. The loan was converted into B-shares in 2021 with a fixed conversion rate of EUR 1.79 per B-share of nominally DKK 1, which was based on the market price per share at the date of establishment of the facility, but subject to adjustment for changes in the capital structure.

The loan was convertible upon descretion of the lenders at any time until maturity. However, in certain exit scenarios, the Company had the right to require the lenders to convert the loan into shares.

As the convertible loan was denominated in a foreign currency (EUR), where the risks of the conversion option and the debt host contract was dissimilar, the conversion option was separated from the debt host contract and recognised as a separate derivative financial liability. At initial recognition in December 2020, the amount of the conversion option was DKK 4,591 thousand. The remaining amount of DKK 149,775 thousand was allocated to the debt-host contract (the loan).

22. Borrowings (continued)

Other loans

Other loans included two loans from the Danish Green Investment Fund with a total nominal value of DKK 18,900 thousand, which were obtained in 2018 and 2020. The loans carried a variable interest rate based on Cibor 3M plus a margin. The average nominal interest rate is 8.82%. The loans matured in 2025 and 2026, respectively, but included early-prepayment features.

The loans included potential additional payments of a total amount up to DKK 3,000 thousand which were payable to the Danish Green Investment Fund in certain exit scenarios subject to the equity value of the Company exceeded predefined targets. These embedded derivatives were separated from the debt-host contracts and were presented within other payables. When the loan was obtained in 2020, the amount allocated to the exit-payment derivative was DKK 2,411 thousand. The remaining proceed of DKK 12,589 thousand was allocated to the debt-host contract (the loan). See note 23 for further information.

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 27.

The loans have been paid back during the year and only the exit-payment is outstanding.

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 lease liabilities and trade payables as the Company's borrowings were repaid during 2021. The main purpose of these 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. Following the exercise of the conversion option in 2021, the Company is no longer exposed to changes in the Company's share price.

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 as well as to the investment in listed bonds. In 2020, the Company was in addition exposed to changes in interest rates on its floating rate loans from the Danish Green Investment Fund, which were repaid in 2021.

The securiteis in which the Company 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 December 31, 2021 the portfolio has an average effective duration of approximately 2.7 years and no securities have an effective duration of more than 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 3.7%. Due to the short-term nature of the current investments and to the extent that we are abel to hold the investments to maturity, we consider our current exposure to changes in fair value due to interest rate changes to be insignificant compared to the fair value of the portfolio.

23. Financial risk management (continued)

DKK '000	2021	2020
Years of maturity		
2023	192,111	0
2024	269,410	0
2025	104,288	0
2026	125,685	0
Total	**691,494**	**0**

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: 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.

DKK '000	Impact on post tax profit	Impact on equity
2021		
Interest rate - increase of 100 basis points	(8,322)	(7,924)
Interest rate - decrease of 100 basis points	8,658	9,066
2020		
Interest rate - increase of 100 basis points	1,074	1,074
Interest rate - decrease of 100 basis points	(1,074)	(1,074)

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 further described above in note 22, the Company entered into a convertible borrowing facility, which is denominated in EUR. As of 31 December 2020, the amount drawn under the facility is DKK 154,365 thousand (corresponding to EUR 20,750 thousand). The proceeds received is held in EUR. The Company's exposure to movements in the EUR/DKK exchange rate on borrowings is therefore offset by the EUR cash deposit. For 2020, the cash deposit of DKK 155,953 thousand was primarily held in EUR. 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.

Price risk
In 2021, the borrowing facility was converted into shares, whereby the Company is no longer exposed to share price risk. However, for 2020 the Company was exposed to changes in fair value of the conversion option liability, which arose from its own share-price risk (market price of class B-shares) as well as the volatility of the share.

The Company's equity and post-tax profit for the period would be impacted as follows from reasonably possible changes in the price of B shares: The sensitivity analysis assumes all other variables remain constant. The impact on post tax profit and equity is based on those financial instruments that were recognised at the respective balance sheet dates.

DKK '000	2021	2020
Impact on post tax profit and equity		
B-share price increase of 10%	0	(12,120)
B-share price decrease of 10%	0	12,055
Volatility of B-share increase by 10%-points	0	(484)
Volatility of B-share decrease by 10%-points	0	494

23. Financial risk management (continued)

Credit risk
Credit risk arises primarily from 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 most significant counterparty risk is related to deposit with banks, as the Company's cash balance at 31 December 2021 amounts to DKK 266,924 thousand (2020: DKK 155,953 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 amounts to DKK 691,494 thousand as at 31 December 2021 (2020: DKK 0 thousand).

To manage and reduce credit risks on securities, the Company's policy is to ensure only securities from investment grade issuers are eligible for our portfolios. No issuer of marketable securities can be accepted if it is not assumed that the credit quality of the issuer would be at least 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 strong liquidity position, DKK 266,924 thousand, as per 31 December 2021 (2020: DKK 155,953 thousand), allowing management to carry out the planned growth strategy. 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 ressources. 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 capital ressources the Company has entered into a repurchase agreement (repo). This agreement has not been used in 2021.

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

23. Financial risk management (continued)

DKK '000	Less than 1 year	Between 1 and 5 year	More than 5 years	Total
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**
As at 31 December 2020				
Non-derivatives				
Borrowings, current and non-current	918	199,144	3,966	204,028
Trade payables	25,358	0	0	25,358
Lease liabilities	2,283	6,330	12,432	21,045
Total non-derivatives	**28,559**	**205,474**	**16,398**	**250,431**
Derivatives				
Exit-payment	3,750	0	0	3,750
Total derivatives	**3,750**	**0**	**0**	**3,750**

The exit-payment derivative was included in other payables in the balance sheet as of 31 December 2021 and in non-current borrowings in the balance sheet as of 31 December 2020.

Of the DKK 203,110 thousand disclosed in the 2020 borrowings time bands 'between 1 and 5 years' and 'more than 5 years', the Company is considering early repayment of DKK 22,468 thousand during 2021. refer to note 28 for further information about the changes in the liabilities arising from financing activities.

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.

23. Financial risk management (continued)

DKK '000	31 December 2021	31 December 2020
Financial assets and liabilities per measurement category		
Financial assets		
Finacial assets at fair value through other comprehensive income		
Listed bonds	691,494	0
	691,494	**0**
Financial assets at amortised cost:		
Trade receivables	3,681	4,052
Cash and cash equivalents	266,924	155,953
Total	**270,605**	**160,005**
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Coversion option liability*	0	4,591
Exit-payment derivative*	3,000	3,411
Total	**3,000**	**8,002**
Financial liabilities at amortised cost:		
Trade payables	42,850	25,358
Borrowings, current and non-current	0	174,376
Lease liabilities, current and non-current	7,398	14,531
Total	**50,247**	**214,265**

* Included in other payables om 2021 and in borrowings in the balance sheet in 2020.

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 2021	31 December 2020
Recurring fair value measurements		
Financial assets at fair value through other comprehensive income:		
Listed bonds	691,494	0
Total financial assets - level 1	**691,494**	**0**
Financial liabilities measured at fair value		
Coversion option liability	0	4,591
Exit-payment derivatives	3,000	3,411
Total financial liabilities - level 3	**3,000**	**8,002**

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.

Conversion option liability
The conversion option was exercised in 2021. The fair value of the conversion option liability was the probability adjusted value of a number of options reflecting possible scenarios for exercising the conversion option. The fair value of the options was based on a Black-Scholes formula with the following significant unobservable inputs for 2020. As the conversion option was exercised in 2021 the liability is not existing end of 2021:

- Share-price: DKK 13.30 (2020)
- Conversion price: DKK 13.30 (2020)
- Time to maturity: 0.4 - 1 year (2020)
- Volatility: 75.7% (2020)

23. Financial risk management (continued)

Management did not consider a share price that deviated significantly from the applied input likely, as the convertible loan was issued in December 2020 with a conversion price considered to reflect fair market value. However, to illustrate the sensitivity on the fair value measurement, a change in the share price of +/- 2% would increase/decrease the fair value of the conversion option liability by DKK 3,101 thousand / DKK -3,098 thousand.

An increase in the volatility of 10%-points would increase the fair value of the conversion option liability by DKK 621 thousand), whereas a decrease in the volatility of 10%-points will decrease fair value by DKK 633 thousand).

Management did not consider a significant different 'time to maturity' being realistic.

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 2021, the discounted cash flow is considered insignificant and the liability is included 100%. In 2020, the probability weighted cash flows was DKK 0 and probability weighted time to maturity was 0.33 years.

An increase in the probability weighted time to maturity will reduce the fair value of the exit-payment liability. However, Management does at the end of the reporting period not consider any significant change in the expected maturity to be a realistic alternative. The probability weighted cash flows reflects 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 following table presents the changes in level 3 items:

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 gains recognised in profit or loss attributable to balances held at the end of the reporting period	**0**	**(410)**	**(410)**

DKK '000	Conversion option liability	Exit-payment derivatives	Total
Opening balance 1 January 2020	**0**	**0**	**0**
Borrowings obtained	4,591	2,411	7,002
Losses recognised in financial expenses*	0	999	999
Closing balance 31 December 2020	**4,591**	**3,410**	**8,001**
* includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period	**0**	**999**	**999**

24. Earnings per share

DKK '000	2021	2020
Net loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	(492,871)	(73,241)
Basic earnings per share:		
Issued ordinary shares, beginning of period	36,805	22,204
Effect of shares issued, weighted-average	25,995	7,487
Weighted-average number of ordinary shares used as the denominator in calculating basic earnings per share	62,800	29,691
Basic earnings per share for loss attributable to the ordinary equity holders of the Company	**(7,85)**	**(2.47)**
Diluted earnings per share for loss attributable to the equity holders of the Company	**(7,85)**	**(2.47)**

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

25. Provisions

DKK '000	Warranty
Carrying amount 1 January 2021	**984**
Additional provisions recognised	3,114
Amounts used during the year	(984)
Carrying amount 31 December 2021	**3,114**
The Company's provisions are presented as follows in the balance sheet:	
Non-current liabilities	0
Current liabilities	3,114
Total	**3,114**

Provision is made for estimated warranty claims in respect of electrolyzers 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.

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 reduced cost of capital.

The Company has during 2021 grown significantly and liquidity has been strengthen through an IPO. Part of the credit facility obtained in 2020 has been converted into shares during 2021 and part of the proceeds from the IPO have been used to pay back loans. 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.

27. Commitments and contingent liabilities

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

DKK '000	31 December 2021	31 December 2020
Floating charge		
Non-current assets		
Property, plant and equipment	0	10,519
Current assets		
Inventories	0	7,611
Trade receivables	0	9,016
Cash and cash equivalents	0	0
Total current assets pledged as security	0	16,627
Total assets pledged as security	**0**	**27,146**

In 2020, the pledges comprised a floating charge provided as security for borrowings from the Danish Green Investment Fund up to a value of DKK 18.9 million. The terms restricted the Company for using the assets for other securities.

Contingent liabilities

None

27. Commitments and contingent liabilities (continued)

Commitments

DKK '000	31 December 2021	31 December 2020
Capital commitments		
Property, plant and equipment	**107,000**	**0**

On July 22 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.

In addition to the expansion project the company has decided to acquire full ownership of both current facilities and land as well as the surrounding land for future expansion phases. As part hereof, Green Hydrogen Systems has also taken ownership of the new facilities during the phase 2 construction. This ownership structure is a change from the current lease model, however, whereas it will provide a short-term increase of CAPEX, it will importantly also provide maximum control, flexibility and independence to continue the company's growth and to position Green Hydrogen Systems as a leading, global electrolyser manufacturer.

The Company has signed agreements amounting to DKK 213 million and expects over a three year period to invest DKK 250 – 300 million in acquiring the existing facilities and land and in construction of the phase 2 expansion whereof DKK 106 million have effect in 2021. The 2021 expenditure is mainly related to acquisition of current facilities and land as well as the surrounding land for future expansion phases.

28. Fee to auditors appointed at the general meeting

DKK '000	2021	2020
PwC		
Audit fee	1,179	74
Tax and VAT services	197	13
Audit-related services	8,504	0
Other services	5,854	1,801
Total	**15,734**	**1,888**

Fees for other services than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskabs amount to DKK 14.5m and mainly consist of services related to and performed before the listing of Green Hydrogen Systems.

29. Changes in liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in each of the periods presented.

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	(154,079)	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)**	**7,398**

* 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.

DKK '000	1 January 2020	Cash flows	Non-cash changes: New leases*	Non-cash changes: Changes in fair value	Non-cash changes: Other changes	31 December 2020
Borrowings, current and non-current**	3,824	199,842	0	0	(32,758)	170,908
Lease liabilities***	372	(1,008)	15,167	0	0	14,531
Exit-payment derivative	0	2,411	0	999	0	3,410
Total liabilities from financing activities	**4,196**	**201,245**	**15,167**	**999**	**(32,758)**	**188,849**

* Including remeasurements.
** Other changes include non-cash movements, e.g. accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid. The adjustment also include DKK 33,689 thousand which was converted into shares in 2020.
*** The exit-payment derivative is presented as borrowings in the balance sheet, and is included in proceeds from borrowings in the cash flow statement.

30. Related parties

The Company does not have any parties with controlling interest end of 2021. In 2020 and 2021, Nordic Alpha Partners Fund I K/S was the ultimate controlling party until the IPO in June 2021.

Nordic Alpha Partners Fund I K/S has significant influence due to ownership of shares. In 2020, entities with significant influence over the Company inlude lenders of the convertible loan, which hold conversion options that are currently exercisable into B-shares of the Company.

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

The Company has in addition received consulting services from key management personnel amounting to DKK 0 thousand (2020: DKK 1,130 thousand).

The following transactions were carried through with related parties:

DKK '000	2021	2020
Transactions with entities with controlling influence		
Proceeds from loans	0	65,285
Interest accrued on loans	1,407	198
Conversion of loans to equity	(38,604)	(28,158)
Outstanding balances with entities with controlling influence		
Convertible loan*	0	37,197
Transactions with entities with significant influence		
Proceeds from loans	0	123,074
Repayment of loans	0	0
Interest accrued on loans	4,433	32
Conversion of loans to equity	(121,602)	(5,532)
	31 December 2021	**31 December 2020**
Outstanding balances with entities with significant influence		
Convertible loan*	0	117,169

* 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.

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.

32. Cash flow specifications

DKK '000	2021	2020
Changes to net working capital		
Decrease/(increase) in trade receivables	371	8,549
Decrease/(increase) in deposits	5,678	(6,160)
Decrease/(increase) in other assets	(84,312)	(2,631)
Decrease/(increase) in prepayments	(1,586)	(1)
Decrease/(increase) in trade payables	17,492	19,717
Decrease/(increase) in other liabilities	28,385	9,589
Decrease/(increase) in contract liabilities	19,687	2,244
Total	**(14,285)**	**31,307**
Adjustments		
Income tax	(5,500)	(2,307)
Amortization of intangible assets	6,303	2,042
Depreciations of tangible assets and right-of-use assets	8,580	1,030
Share-based payment	16,033	12,845
Finance expenses, net	335,038	2,858
Other	2,130	(511)
Total	**362,584**	**15,957**

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 DKK million: The sales value in DKK millions of signed orders during the year.

Order intake megawatts: The electrolyzer 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.

Total R&D spend: Costs of raw materials, direct product and labor costs as well as indirect production costs and capitalized borrowing costs originating from research and development activities.

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 and cash flow financing activities.

Cash spend: Cash flows from operating and investment 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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