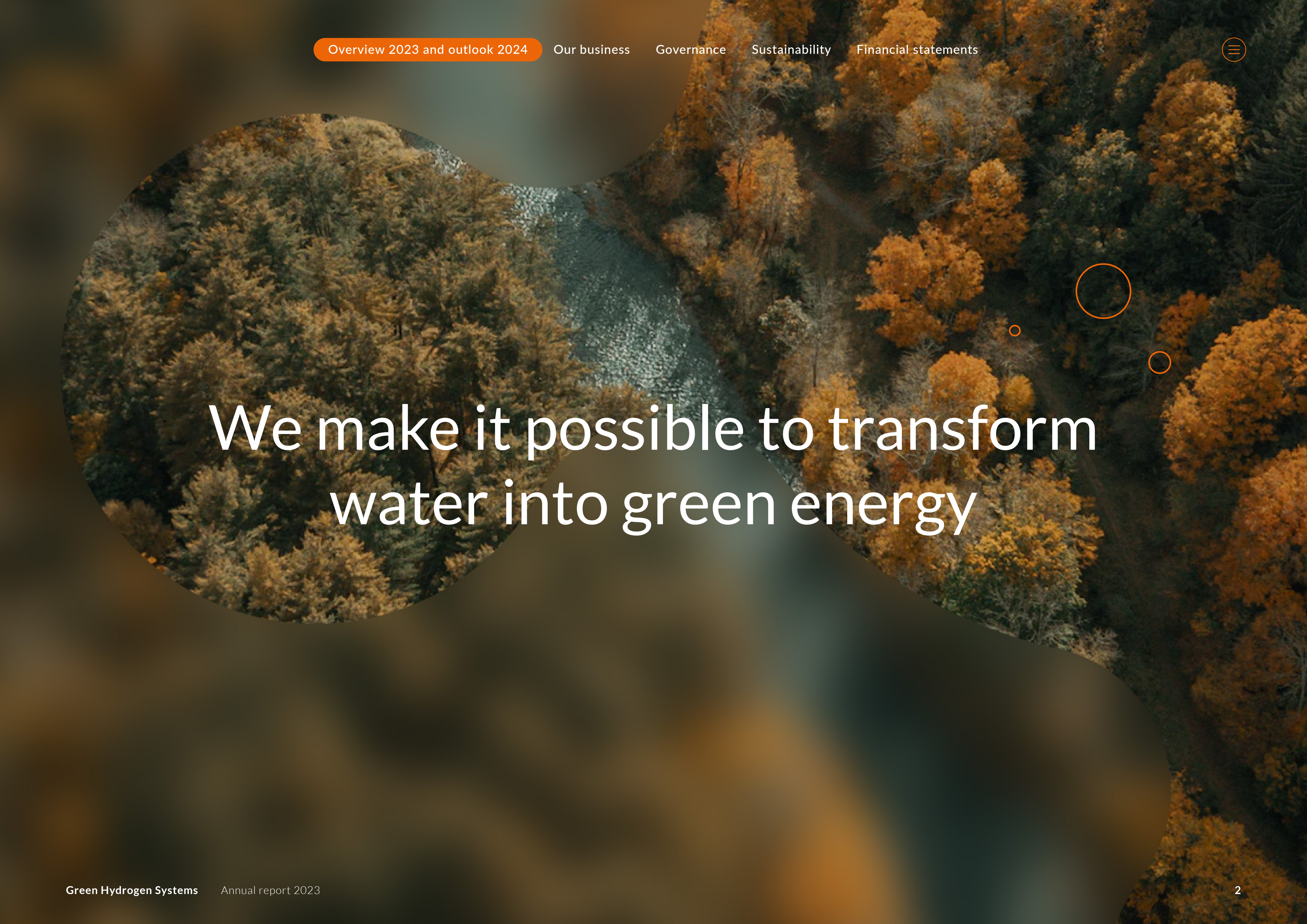
Annual report 2023

Accelerating the global energy transition with green hydrogen

Green Hydrogen Systems A/S
Nordager 21, 6000 Kolding
CVR: 30548701

GREEN
HYDROGEN
SYSTEMS



We make it possible to transform water into green energy

How our products transform water into green energy

Green hydrogen is produced through water electrolysis using renewable energy to split water into hydrogen and oxygen with no CO_2 emission in the process. Additionally, water electrolysis results in a higher purity of hydrogen compared to other hydrogen production methods such as reforming and gasification, which means that green hydrogen is generally widely applicable in various end-use sectors i.e. transportation, shipping, industrial processes and household heating.

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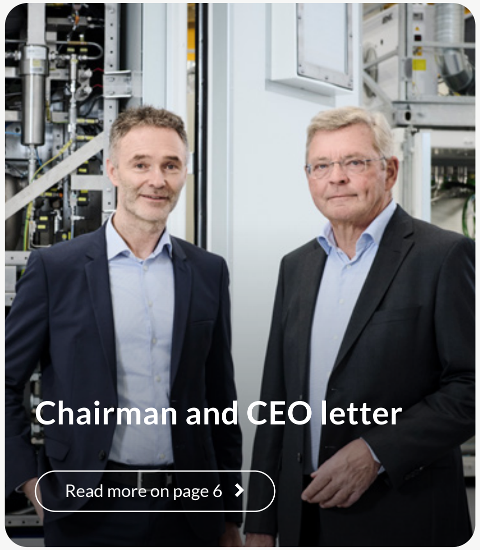

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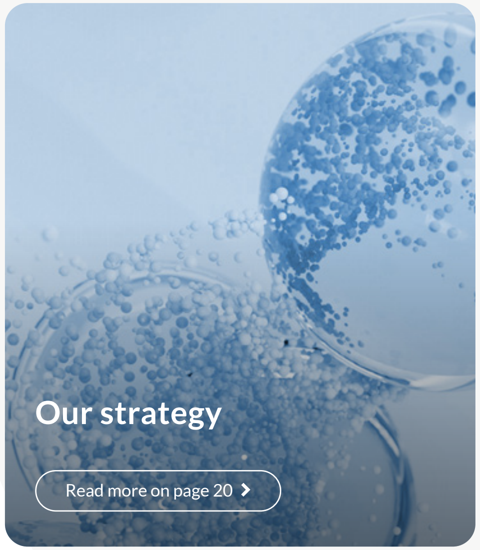


Overview 2023 and outlook 2024

Chairman and CEO letter

A year of challenges masked solid underlying progress across products, production and commercial offerings

On the surface, 2023 may seem like a challenging year for Green Hydrogen System. Technical challenges, delays, and not meeting our targets were the headlines. Looking deeper, it has been a year of progress in our products, production, and commercial and financial position.

Progress often comes with challenges. And sometimes even surprising and unexpected challenges. Some of which we could have avoided possibly, and some came out of the blue.

As in any business with heavy equipment and especially in nascent green technology industries rapidly ramping up, the value chain disruption after COVID-19 is still on. Delays in deliveries and long lead items being even longer increased the time needed from design, sourcing, and testing the single components towards the final assembly of the electrolyser system.

The delays influenced our ability to deliver electrolyser in 2022 and dragged into 2023. This caused us to be behind schedule at the beginning of the year.

On the technical side, advancing from our initial Mark 0.9 version to 1.0 and now 1.1 required more resources, but the main technical issue was unforeseen and surprising.

Some nickel-coated components started to cause concerns we did not expect. Our nickel-coated scrubbers and separators have, in the past, proven both robust and reliable in the test environment and operation. However, the new batches of these critical components did not meet the material and coating quality required for high pressure, fairly high temperature and heavy alkaline environment. Tiny particles of nickel flowed into the system, which is, of course, unacceptable.

Components needed to be recoated as a first measure while we worked on a new surface and component redesign. That took some time. Then, we had to find suppliers which could adhere to our design of the separators and scrubbers with the new stainless steel 904L. That was a further delay as the preassembled electrolyser systems only awaited the recoated and redesigned components before being delivered to customers, allowing us to have revenue intake.

In hindsight, maybe more rigorous testing of each component in a harsh environment could have mitigated these issues. But in reality, it

would not have been possible as some nickel-coated components have lasted for thousands of hours of operation before showing signs of disintegration.

The headlines of delays, technical issues, and not meeting targets mask that the underlying operation and technical skills have improved, and our organisational structure now has a foundation for further progress and production increase.

At the same time, we have implemented various corrections of the A-Series and optimised and scaled the A-series production. The X-Series prototype progressed well in 2023 and now shows positive operational tests.

The X-Series prototype was preassembled in Nordager and installed on what was basically a tent on a green field in Skive in the first half of 2023. In the second half of 2023, we started a cautious and thorough testing procedure.

From December onwards, the X-Series prototype in Skive has produced hydrogen, showing stable operation and impressive results. With a third-party validation proving the technical concept of the X-Series, we are closing in on the X-Series as a commercial product.

Coming into 2024, we are delivering our updated versions of the A-series to customers. We see product performance is gradually improving to the satisfaction of our customers. We produce nearly one balance of plant per week, and we are shipping, testing, and having revenue recognition from the orders backlog.

We get new A-Series orders, with nearly nine units to be delivered to a customer in England this year and next. We have a detailed plan on going from successful testing and redesigned commercial to manufacturing and delivering the first X-Series unit towards the end of the year.

Looking back on the financial results of 2023, we achieved a revenue of DKK 42 million. The revenue was within the updated guidance range of DKK 30 to 45 million but below the initial guidance range. The revenue is based on eleven modules delivered to customer sites in the United Kingdom, Norway, Chile and Switzerland.

The earnings before interests, depreciations, and amortisations (EBITDA) were DKK minus 267 million and within the updated guidance range of DKK minus 280 to 240 million but below the initial guidance range.

Investment in 2023 reached DKK 279 million and was within the guidance range and driven primarily by fitting the expanded manufacturing facilities, ramping up the production capacity and scaling the R&D and commercial organisation for increased activities.

In July 2023, we closed an oversubscribed rights issue, bringing in gross proceeds of DKK 469 million from new and existing shareholders. These new funds, supplemented by a term loan facility of DKK 250 million from two major shareholders, ATP and APMH Invest, provide capital and financial flexibility to support our growth plans.

At the Annual General Meeting, changes were announced to the Board of Directors. Poul Due Jensen, Group president and CEO of Grundfos Holding A/S, joined the Board, bringing in valuable competencies within industrialisation and international commercialisation.

"Green Hydrogen Systems moved from an early-stage developer and producer of green hydrogen electrolysers to a much more mature company"

Following several years as members of the Board of Directors offering comprehensive support to the initial growth stages and in the initial public stock listing of Green Hydrogen Systems, Thomas Thune Andersen and Jakob Fuhr Hansen decided to step down and not seek re-election.

Changes were also made at the executive level. In the first months of the year, Chief Operating Officer Carsten Schütz joined Green Hydrogen Systems. In late summer, Chief Executive Officer Sebastian Koks Andreassen resigned.

The new and current CEO, Peter Friis, joined our company shortly after. He brings comprehensive industry and product development experience from the wind industry, and he also took the responsibility as interim Chief Technology Officer until a new and permanent CTO is in place.

Ensuring that the right competencies are within the company at the right growth stage and organisational development time remains a key priority for the Board of Directors and the executive management team.

Outside our organisation, the wider world has also experienced significant changes and challenges.

The green hydrogen market continued to evolve as the world shifted away from fossil fuels. Most prominently, the EU's Green Deal Industrial Plan, introduced in early 2023, supports Europe's net-zero industry ambition and transition to climate neutrality.

This plan and other initiatives spurred a surge in green hydrogen investments boosting the already strong demand estimates for electrolysers.

With this outlook ahead of us and after a year which moved Green Hydrogen Systems from an early-stage developer and producer of green hydrogen electrolysers to a much more mature level our company face a promising future.

Peter Friis,
CEO

Christian Clausen,
Chairman

At a glance

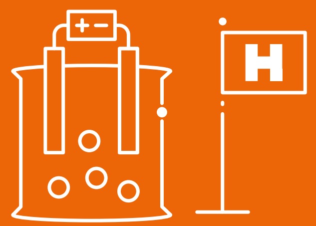
Financial Highlights

Revenue

42 (DKK million)

EBITDA

-267 (DKK million)



CAPEX

279 (DKK million)

Non-Financial Highlights

Employees

295

LTIR

(Lost Time Injury Rate = #LTI per 1,000,000 work hours)

2.3

CO_2e scope 1

(carbon footprint as direct emissions from company controlled vehicles and stationary combustion)

140 (ton)

CO_2e scope 2*

(carbon footprint as indirect emissions from purchased electricity, steam, heat, and cooling)

56 (ton)

*Market-based

In 2023, the Company conducted its first double materiality assessment (DMA) in correspondence with the upcoming Corporate Sustainability Reporting Directive.

The DMA identifies and prioritises the material ESG topics by identifying and rating impacts from the Company on the surroundings, risks and opportunities towards the business. The outcome of the DMA will provide a basis for the reporting framework and the future ESG strategy.

Financial review 2023

Revenue from customer contracts of DKK 42 million and an EBITDA of DDK -267 million. The firm order backlog grew by 15% to 15 MW of electrolyser capacity.

Profil & loss

DKK million	2023	2022	Change
Revenue from customer contracts	42	10	32
EBITDA	(267)	(249)	(18)
Operation profit, EBIT	(397)	(283)	(114)
Net financials	(15)	(5)	(23)
Tax	6	6	1
Net profit for the period	(406)	(283)	(136)

Revenue
In 2023, revenue was DKK 40.2 million from product sales and DKK 1.8 million from other customer activities. Revenue from customer contracts increased by DKK 30.5 million compared to 2022 due to delivery and revenue recognition of additional modules to customers in United Kingdom, Norway, Chile and Switzerland. Revenue from other activities include service revenue related to the Mk0 A-Series electrolysers installed at customer sites.

EBITDA
In 2023, EBITDA was DKK -267 million compared to DKK -249 million in 2022. The negative development in EBITDA was a direct consequence of continued investments throughout the organisation with a focus on the finalisation of the A-Series as well as the development and prototype build of the X-Series. The organisational capabilities have been strengthened within the service organisation, production and administration which all are reflected in the number of employees that have increased from 276 to 297 in the last 12 months.

EBIT
In 2023, depreciation and amortisation amounted to DKK 129 million compared to DKK 34 million in 2022. The increase is mainly due to the amortisations of the A- and X-Series technology and the depreciation of equipment and facilities.

The increase in depreciation and amortisation combined with the development in EBITDA resulted in an EBIT of DKK -397 million in 2023 compared to DKK -283 million in 2022.

Net financials and net profit
In 2023, net financials were DKK -15 million compared to DKK -5 million in 2022. Expenses in 2023 were mainly related to interest expenses related to term loan facilities and mortgage loan. Net profit was DKK -406 million in 2023 compared to DKK -282 million in 2022.

Balance sheet
As of 31 December 2023, total assets were DKK 2,366 million compared to DKK 1,550 million as of 31 December 2022. Compared to 2022, financial assets increased by DKK 525 million as proceeds from the rights issue and the term loan facilities have been invested in listed bonds. Intangible assets increased by DKK 88 million due to development activities mainly related to the A-Series and X-Series. Tangible assets increased by DKK 61 million mainly due to the production capacity expansion to an initial 400 MW name-plate capacity. Borrowings increased by DKK 710 million due to increase of DKK 330 million in borrowings related to the repurchase agreement of the listed bonds, increase in term loan facilities of DKK 265 million and increase of mortgage loan of DKK 114 million. Furthermore, contract liabilities increased by DKK 61 million due to progress in delivery of the current backlog.

Equity increased by DKK 20 million compared to 31 December 2022 mainly due to the rights issue net proceeds of DKK 433 million and net profit of DKK -406 million.

Cash flow

In 2023, free cash flow excluding financial assets was DKK -550 million compared to DKK -579 million in 2022. The decrease in free cash flow development of DKK 29 million compared to 2022 was mainly due to a positive development in investing activities and a minor improvement of cash flow from operating activities.

At the end of 2023, cash and cash equivalents amounted to DKK 599 million including financial assets and related borrowings. As part of Green Hydrogen Systems' risk policy, a placement of around DKK 1,276 million has been made in triple-A-rated Danish mortgage bonds. The placement is recognised as a financial asset in the balance sheet and stated as an investing activity in the cash flow statement. The financial assets are utilized from a repurchase agreement (repo) and are recognised as borrowings.

Order backlog

At the end of 2023, the order backlog had accumulated to 15 MW based on customer orders from Europe, United Kingdom, and Australia. Compared to the end of 2022, the backlog increased by 15%.

The total backlog of 15 MW is targeted for delivery in 2024. When delivered, the electrolysers will be applied across different end-use applications such as ammonia production and other Power-to-X installations, fuel for trucks, taxis and planes, and heating for private homes.

Income statement and investments

DKK million	2023 realised	2023 outlook
Revenue	42	30 to 45
EBITDA	(267)	(280) to (240)
CAPEX	279	270 to 300

Key figures

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

DKK '000	2023	2022	2021	2020 (Pro forma*)	2019 (Pro forma*)
Customer orders					
Order backlog (MW)	17.0	13.2	9.9	4.9	n.a.
Profit/loss					
Revenue	41,979	10,422	5,172	9,433	14,196
Operating profit/loss, EBIT	(396,577)	(282,967)	(163,333)	(72,689)	(12,027)
Net financials	(15,119)	(4,849)	(335,038)	(2,859)	(83)
Net profit/loss for the year	(406,196)	(282,316)	(492,871)	(73,241)	(10,736)
Balance sheet					
Balance sheet total	2,366,022	1,549,982	1,295,001	232,898	40,909
Equity	881,826	862,056	1,171,842	(4,077)	20,534
Cash flows					
Operating activities	(280,219)	(283,869)	(155,394)	(25,172)	(21,682)
Investing activities	(799,989)	(377,290)	(886,771)	(31,625)	(1,412)
Hereof investments in property, plant and equipment	(140,833)	(167,049)	(145,417)	(20,647)	(106)
Financing activities	1,137,844	489,574	1,153,136	203,338	31,907
Net cash flow for the year	57,636	(171,584)	110,971	146,541	8,813
Employees					
Average number of employees	298	242	110	37	11
Key ratios					
Solvency ratio (%)	37%	56%	90%	(2%)	50%
Return on invested capital (%)	(21%)	(20%)	(65%)	(53%)	(39%)
Return on equity (%)	(48%)	(28%)	(84%)	(890%)	(104%)

DKK '000	2023	2022	2021	2020 (Pro forma*)	2019 (Pro forma*)
Other performance measures					
EBITDA	(267,465)	(249,174)	(148,450)	(69,617)	(11,711)
EBITDA margin	(637%)	(2,391%)	(2,886%)	(738%)	(82%)
Intangible CAPEX	(138,298)	(128,573)	(46,889)	(11,490)	(1,745)
Tangible CAPEX	(140,833)	(167,049)	(145,417)	(20,647)	(106)
Total CAPEX	(279,130)	(295,622)	(192,306)	(32,137)	(1,851)
Net working capital	(71,468)	(43,694)	10,009	(22,945)	7,012
Free cash flow	(1,080,208)	(661,158)	(1,042,165)	(56,797)	(23,094)
Cash and cash equivalents**	599,142	340,382	958,418	155,953	9,412
FTE end of period	295	276	188	55	18

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

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

Environmental, social and governance	2023	2022	2021	2020	2019
Employees (FTE end of period), number	295	276	188	55	18
Voluntary employee turnover, %	21.7	14.9	10.8		
Lost time injury rate (LTIR)	2.3	7.4	5.4		
Fatalities, number	0	0	0		
GHG emissions (scope 1 + 2*), tons CO^2e	196				

*Market-based

Targets and outlook 2024

Green Hydrogen Systems expects to deliver revenue of DKK 125 to 165 million with an EBITDA of DKK -260 to -220 million in 2024.

Guidance 2024

Guidance is based on the expectation that the current order backlog is executed and supplemented with new orders of our A-Series. The retrofit programme is ongoing with in-house and on-site progress.

In 2024, Green Hydrogen Systems will continue to scale the business to serial production of the A-Series and the X-Series and focus on R&D activities related to the X-Series product.

In 2024, revenue is expected in the range of DKK 125 to 165 million. The revenue range is substantiated by the current order backlog supplemented by expected new orders of our A-Series. Revenue for the X-Series is expected to become the main contributor from 2025.

EBITDA for 2024 is expected in the range of DKK -260 to -220 million. Gross profit will increase and investments in the commercial setup and R&D activities primarily related to the X-Series product will continue.

Investments are expected in the range of DKK 160 to 200 million. The investments are related to production scale-up and product development with numerous initiatives to further increase the system performance of the A- and X-Series product platforms.

The revenue guidance range reflects the uncertainty of the exact timing of the electrolysers passing revenue recognition criteria within the 2024 calendar year. Furthermore, the exact delivery, site acceptance test (SAT), revenue recognition, and EBITDA may be negatively impacted by e.g. the current supply chain disruptions, increasing component and raw material costs, general inflation, delays in product assembly and pandemics.

Medium-term targets

The Medium-term targets provided in June 2023 were based on a range of assumptions on sales, production, and deliveries of both the A-Series and the X-Series. These assumptions will be revised in 2024.

X-Series

The X-Series prototype testing in Skive, Denmark, is progressing with positive initial operational data, and it is expected that the first orders of the X-Series will be signed in 2024. There is a strong interest in our X-Series electrolyser product, confirmed with signed Letters of Intent with potential customers to the first batch of the X-Series product.

With the first pressurised hydrogen production, the X-Series has reached a major milestone in the commissioning and validation of the product design and technical concept. Learnings from the continued technical improvements of the A-Series are integrated into the first and following versions of the X-Series, leading to improved performance.

The testing programme is not completed; more tests and data are needed before the final technical confirmation of the concept is reached and binding commercial obligations are agreed. It will allow the customers to mitigate a significant part of the technology risk, in the final investment decision and project development.

Guidance 2024

Revenue	DKK 125 to 165 million
EBITDA	DKK -260 to -220 million
CAPEX	DKK 160 to 200 million

How Green Hydrogen Systems creates value

The core of Green Hydrogen Systems' business model is to support a sustainable transition of the global energy system through building electrolysers for a variety of purposes.

When building electrolysers, the Company depends on different resources and relationships. Further, there are different opportunities in the Company's value chain that create value for both stakeholders and the Company.

Green Hydrogen Systems works to maximize the value creation while minimizing any negative impacts arising from the business.

Business model

Input

Natural resources
Raw materials such as metals and water for production unit.

Human resources
Purpose driven people to help create a better future by developing our product and business.

Relationships
Stakeholders such as suppliers, goverments, customers and other partnerships are important for us in order to develop efficiently.

Finance/Investments
We are dependent on our investors to provide finance for developing our business.

Assets and technology
Factory, laboratory, technology and data are important for efficient operation and ensure information across the supply chain.

Activities

R&D → Production → Sales → Distribution → Service

Material topics

E: Climate change and energy | Biodiversity | Water | Circularity

S: Diversity, equity and inclusion | Health and safety | Human capital | Human and labour rigths

G: Responsible sourcing | Cyber security | Corporate culture and business ethics

Outcome

Customers
We help our customers reaching their net zero ambitions by providing fossil-free energy and pioneering technology.

Society
We help decarbonize the society for a more sustainable future by providing fossil-free energy sources for a variety of purposes.

Planet
We help limit global warming by providing fossil-free energy and pioneering technology.

Our people
We create a safe and inspiring workplace where we live our values of care, commit and collaborate.

Partners
We collaborate closely with our partners to create pioneering technologies to enhance the green energy transition.

Shareholders
We strive to create a resilient business and create value for our shareholders.

Case story A-Series

Providing green hydrogen for zero-emission power generation in the UK

The partnership: Decarbonising power with green hydrogen

2023 has marked a significant milestone for Green Hydrogen Systems and GeoPura's partnership, initiating the supply and deployment of nine A180 electrolyser units with a total capacity of 8.1 MW operated by GeoPura. When fully operational configuration will produce 3110 kg of green H2/day. In addition to the electrolyser units, GHS will be commissioning and providing on-site maintenance, remote monitoring, and sustained assistance, as part of a multi-year service agreement.

The customer

GeoPura was founded to help source enough clean energy to electrify our global economy and navigate the logistical issues of getting this energy to where it is needed. The GeoPura solution uses renewable energy, normally solar PV or wind, to create hydrogen and hydrogen-based zero-emission fuels through electrolysis, provided by GHS' HyProvide electrolysers. The produced fuel is then transported by tube trailers to locations where a local generator converts it to electrical power. The process is clean and carbon-free from start to finish – the only by-product is pure water. GeoPura's services offer access to zero-emission energy to high-profile customers with off-grid, remote, or temporary backup power requirements. Applications span construction sites, TV and movie productions, and remote electric vehicle charging stations.

Looking ahead

In 2024, GHS will focus on delivering the remaining electrolyser units for this project. Furthermore, there will be a continuous focus on maturing the commercial partnership and widening the project portfolio to meet the rapidly growing demand for green hydrogen.

Photo credit: GeoPura™

Our business

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

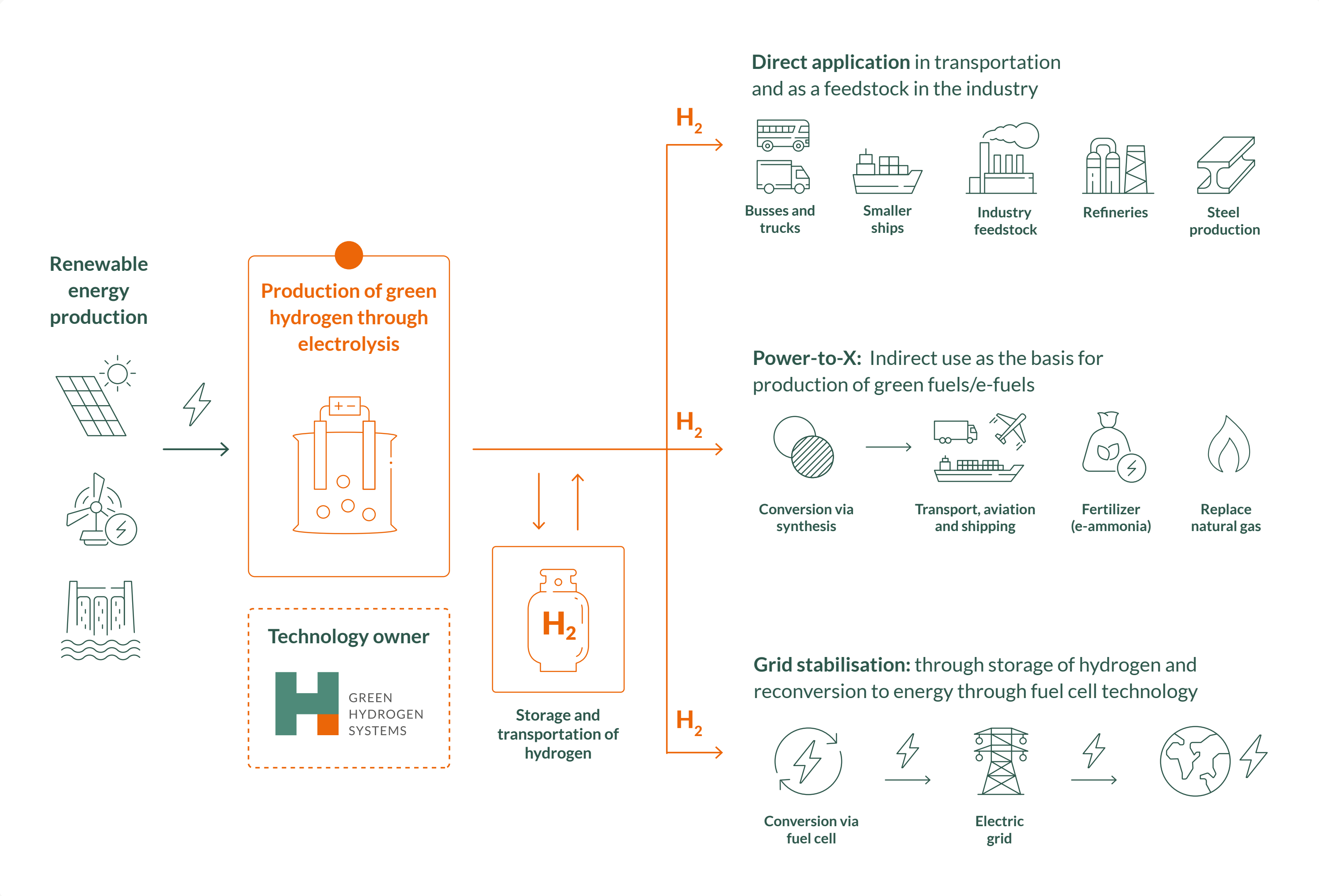
The potential role of green hydrogen in the future energy system

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

1. Direct applications for decarbonization of industry feedstock, and heavy-duty and long-range transportation.

2. Indirect applications through the manufacture of e-fuels, e-ammonia and low-carbon gas through synthesis (Power-to-X) for use in transportation, industry and building heat.

3. Energy storage and grid stabilization, enabling sufficient scaling of renewable energy to replace fossil fuels, by creating the necessary buffer to increase the resilience of a renewables-based energy system. Further, hydrogen can enable efficient energy distribution across sectors of the economy and across geographical regions.



Megatrends & Macro perspective

Green Hydrogen Trends, Industry Dynamics, and Market Realities

The global green hydrogen industry is undergoing dynamic shifts as the world pivots away from fossil fuel-based energy systems. Over the past 12 months, Green Hydrogen Systems has observed several industry trends influencing the demand for green hydrogen. Key factors include the widespread adoption of hydrogen strategies, such as the US Inflation Reduction Act (IRA) and the European Union's response to IRA, an increased emphasis on energy supply security and reliability, a surge in planned green hydrogen projects, and general project rollout delays. Enacted in August 2022, the IRA is a substantial climate legislation and investment initiative designed to reduce US CO2 emissions by 50% by 2030. Provisions within the IRA, such as a clean hydrogen production tax credit of up to USD 3 per kilogram, are anticipated to impact green hydrogen development from renewables profoundly.

Strategic Response of the European Union

In early 2023, the EU Green Deal Industrial Plan emerged as a strategic response to the IRA, aiming to enhance Europe's net-zero industry competitiveness and expedite the transition to climate neutrality. The plan emphasises creating a supportive environment for deploying clean tech manufacturing capacity to meet ambitious green targets. The plan addresses fossil fuel independence, energy supply security, and ongoing efforts like the European Green Deal and REPowerEU. The confluence of political interest and industrial backing has led to a surge in new green hydrogen investment plans and project announcements.

Market Dynamics and Project Progression

In 2023, the global market for electrolysers and green hydrogen continued to evolve nationally and regionally. Established players and newcomers in the Danish and European markets unveiled ambitious plans and projects.

Hydrogen Europe reports that the total planned electrolysis capacity for announced green hydrogen projects in Europe is expected to reach around 31 GW by 2025, 139 GW by 2030, and 191 GW of electrolyser installed power by 2040.

However, the transition of these initiatives towards the final investment decision (FID) faced delays due to persistent challenges in technology, commercial aspects, and regulatory uncertainties. This delay was particularly evident in large-scale hydrogen and green fuels projects, while smaller-scale direct application projects demonstrated comparatively smoother progress with fewer restrictions.

Navigating Challenges: Revised Expectations and Industry Outlook

The challenges the green hydrogen industry faces underscore the complex interplay of market maturity, technology development, regulatory frameworks, financial structures, and logistical considerations. Recognising these challenges is crucial for stakeholders and policymakers as they navigate a more sustainable and hydrogen-powered future.

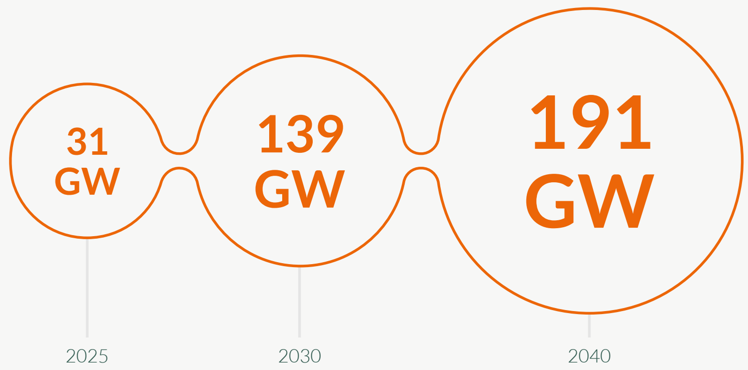
Emerging Opportunities: Aligning Industry Dynamics with Expectations

Looking ahead, the green hydrogen industry is poised for continued growth, driven by legislative support to achieving climate goals, industrial commitment to emission reductions, and an increasing awareness of green hydrogen's role in advancing national and regional energy autonomy.

As the current challenges lead to lessons learned, the electrolyser and hydrogen industries are expected to adapt and thrive in a landscape gradually shifting towards cleaner, more sustainable energy solutions.

Growing demand for electrolyser capacity

Hydrogen Europe reports that the total planned electrolysis capacity for announced green hydrogen projects in Europe is expected to reach around 31 GW by 2025, 139 GW by 2030, and 191 GW of electrolyser installed power by 2040.



Case story X-Series

Progressing development of the HyProvide® X-Series

Assembly and commissioning of the X-Series prototype

During the first months of 2023, the HyProvide® X1200 6 MW prototype made it through final assembly in Kolding and was shipped to its new location at GreenLab Skive. Shortly thereafter, the installation and commissioning process began including fitting and testing all system interfaces of GHS' new 1 MW cell stacks.

Progression of the Testing Program

During the first stage of testing, all system behaviours and controls were tested to verify proper functioning before initiating the first hydrogen production. Most importantly this included successful testing of all the unit's safety and alarm systems. These systems are set to be largely independent of the control system and act as another layer of protection against hazardous situations.

The next stage of the testing commenced mid-December 2023, and here the first hydrogen production was achieved.

Performance tests will continue into 2024, with a portion of the hydrogen produced planned to be utilised by other GreenLab partners.

Moving towards the first commercial X-Series units

The project has offered many valuable learnings in terms of design, component requirements and upgrades and has revealed ways of improving the production process to reach the desired long-term output.

These learnings are now being incorporated into the first commercial version of the HyProvide® X1200 Mk 1.0 scheduled for launch during Q4 2024.

The response from customers has been very positive and commercial interest is rapidly growing. During Q4 2023 this interest materialised into the first signed Letter of Intent with Danish circular bioeconomic company BioCirc to cooperate on the testing and potential supply of a HyProvide® X1200 unit Mk 1.0.

Increasing the production capacity

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

The Company has expanded its facilities for upscaling its manufacturing capacity to accommodate expected future demand for green hydrogen and electrolysis equipment. The Company commissioned and equipped its expanded facility of around 18,000 m2 in total for the A-Series production and warehousing so far. Investment and equipping continues for the X-Series. With this completed it is expected to increase the total manufacturing capacity to around 400 MW per year.

Manufacturing capacity could over time potentially reach more than 1,000 MW per year in the current facilities through continuous optimisation of manufacturing and assembly processes as well as a more efficient supply chain integration and automation of certain manufacturing processes.

A central aspect of the ongoing dialogue between Green Hydrogen Systems and its customers is to discuss future production capacity and capacity planning. Based on these customer dialogues, the short lead time from the decision to the opening of subsequent capacity expansions allows for timely capacity planning as demand for Green Hydrogen Systems' electrolysers continues to grow.

Potential new production facilities may as well take place outside Denmark in pursuit of lower costs, customer proximity or to satisfy local content requirements.

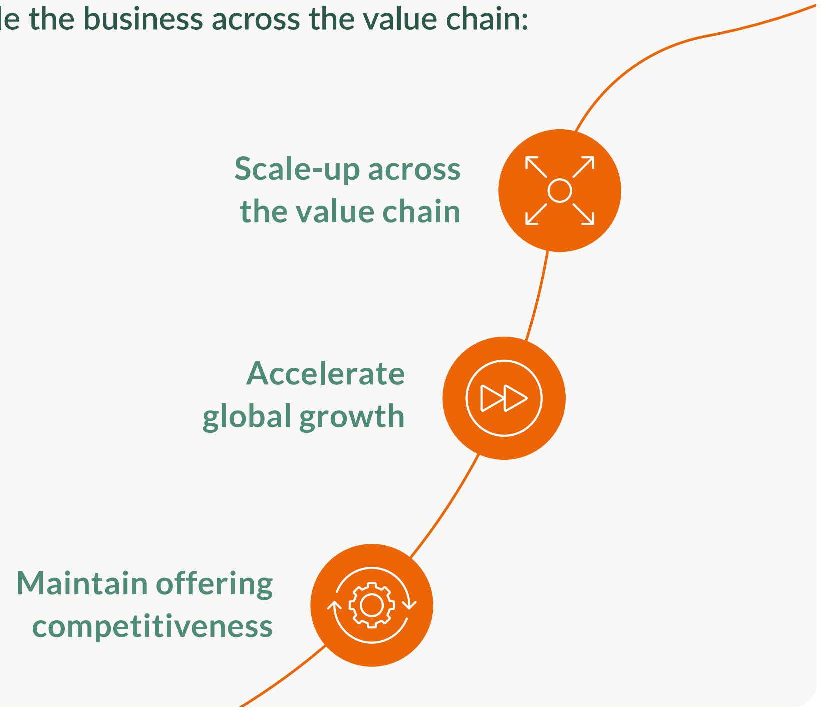
Initiated factory expansion increasing the production capacity from:

75MV → 400MV → 1,000MV

Our strategy

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

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

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

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

Secondly, a proactive sales effort has been adapted to address the market demands of large projects. The Company is generally observing an industry trend towards medium and large-scale projects from 10-100 MW. In this segment for medium to large-scale projects partnerships with EPC providers are key, and the Company continues to seek and develop EPC partnerships.

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

Maintain offering competitiveness

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

It will also take a continuous high-priority R&D effort to maintain Green Hydrogen Systems' competitive edge. To meet the potential future market demand for large-scale projects, a central aspect of the strategy is the successful development and launch of the X-Series. The X-Series prototype, which builds on learnings from the A-Series, was installed in 2023. The X-Series prototype will continue to undergo testing and validation during 2024. Sales of the first commercial units are expected in 2024.

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

To support the delivery of relevant service solutions, the Company will seek to expand its ability to leverage data extracted from installed electrolysers and field technicians. This includes establishing the necessary infrastructure to retrieve, store and handle data, along with developing the principles for applying such data in surveillance and diagnostics services. Applying a more data-driven approach to its service offering is expected to support the Company's ability to perform preventive maintenance and remote troubleshooting for its customers, conduct targeted performance improvements across an increasing installed base and further provide real-use data for optimization of the Company's products.

Scale-up across the value chain

During 2023 the Company conducted an expansion of its facilities and manufacturing capacity to accommodate expected future order backlog and pipeline. This expansion comprised both investments in the production line for the A-Series and in particular the future X-Series as well as an increased warehousing area taking potential production capacity to 400 MW annually. Further expansion phases could over time increase manufacturing capacity to more than 1,000 MW electrolyser capacity per year in the current facilities through continuous optimisation of manufacturing and assembly processes. Additionally, the Company will focus on working strategically with suppliers as key levers to enable scale-up.

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

To support the strategy and execution thereof, the Company has in recent years strengthened its organisational capabilities and operational set-up to support the scaling of its activities.

Within sales efforts, the R&D efforts, the build-out of manufacturing capacity and the administration of an increasingly global business, a significant scale-up of the employee base is considered necessary. The Company expects to continue such organizational strengthening.

ESG in the strategy

The Company's strategy is supported by its ESG framework. Scaling up across the value chain and accelerate the global growth should be done with respect for the planet, people, and profit to ensure a just and responsible growth. The Company's aspirations within environmental, social and governance issues will support this journey.

Our people are essential to deliver on the strategy and the Company continuously works to attract, retain, and develop the right talents. Scaling also requires cultural alignment of the organisation and in 2023, the Company have put major effort into developing the foundation for a great and inspiring place to work. This including;

- A common set of values,
- Behavioural policies to provide as guidance for how to act as an employee and in decision-making processes,
- Improvement of employee benefits,
- Rethinking workspaces.

ESG measures are a part of the supplier selection and is incorporated in the supplier code of conduct to support a sustainable scaling.

Case story A-Series

Delivering to multiple green hydrogen projects on the Norwegian west coast

The partnership: Green Hydrogen production facilities in Norway

During 2023, GHS delivered two HyProvide® A180 electrolysers to its partner Liquiline with a total capacity of 1.8 MW split between two Norwegian projects.

The first project, Stord Hydrogen, is located within the premises of the Energy House test centre at Heiane in Stord, Norway. The 0.9 MW facility, operated by parent company HYDS, is now nearing completion. When fully operational, it will produce up to 400 kg of green H2 daily, which will be delivered to customers in the transportation, construction, industrial, and maritime sectors.

For the second project, located at Kaupanes harbour area in Egersund, Norway, GHS deployed one electrolyser (0.9 MW) to produce up to 400 kg of green H2/day from local hydroelectricity. The electrolyser, which is deployed as a complete green hydrogen plant, is part of the EU-funded Horizon 2020 project ROBINSON. When fully operational in Q1 2024, the produced hydrogen will be delivered to the ROBINSON project and, in addition, sold to external off-takers via ship bunkering operation in close cooperation with the Port of Egersund.

The Customer

Liquiline is a Norwegian-based gas technology provider focusing on zero-emission turn-key hydrogen solutions, including production, distribution and bunkering. Since 2019, Liquiline has been a close integrator partner to GHS, responsible for integrating GHS's electrolysers into the projects.

Looking ahead

Green Hydrogen Systems will support the projects with on-site maintenance and remote monitoring as part of a three-year service agreement. Furthermore, the companies will focus on deepening the partnership and expanding the project portfolio in Norway and beyond.

Photo credit: HYDS

Governance

Risk management

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

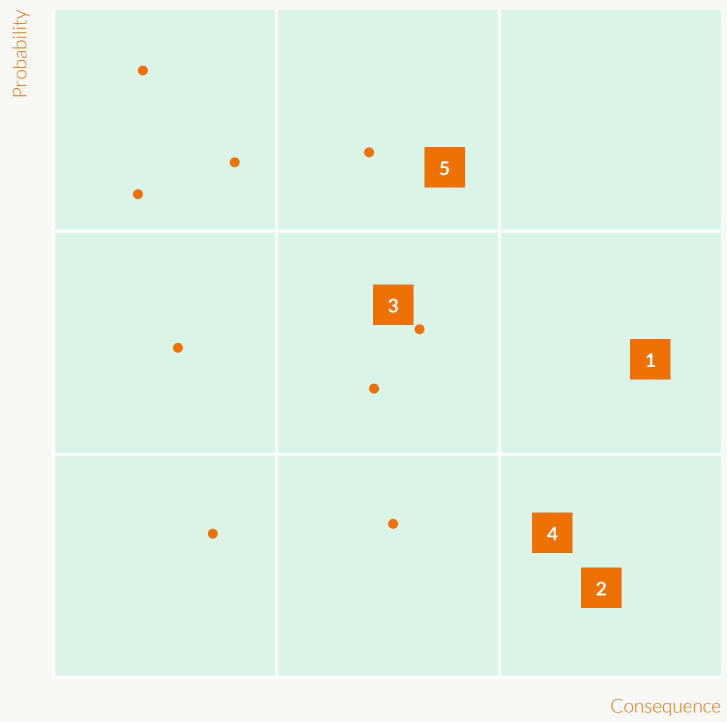
Risk management is an essential part of good governance and helps to:

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

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

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

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



Our 5 key risks

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

Corporate governance

Corporate governance
The shareholders of Green Hydrogen Systems have the ultimate authority over the company and can exercise their right to make decisions at the company's annual and extraordinary general meetings. At the annual general meetings, shareholders vote on, approval of the annual report and remuneration report for the past year, approval of remuneration to the board of directors and any proposed amendments to the company's Articles of Association, among other things. The shareholders also elect members to the company's Board of Directors and an independent auditor. Board members, who are elected by the shareholders at the annual general meeting, and the auditor serve for one-year term. Re-election is possible.

Green Hydrogen Systems has a two-tier management structure consisting of the Board of Directors and an 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 Board of Directors' internal Rules of Procedure in accordance with section 130 of the Danish Companies Act. The Board of Directors is responsible for the company's strategy and follow-up on the realisation of the strategy. The Board of Directors must ensure that the company has the necessary financial and competency prerequisites to achieve the goals set for the company. Finally, the Board of Directors supervises the Executive Management and establishes guidelines for the exercise of supervision. The Executive Management is responsible for the operational and day-to-day management of the company.

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

As of 31 December 2023, the Board of Directors consisted of eight shareholder-elected members. No employee-elected board members have been appointed, as the company was not subject to section 140 of the Danish Companies Act as of 31 December 2023.

Further information on the individual members of the Executive Management and Board of Directors can be found in the section "Executive Management and Board of Directors".

In accordance with Green Hydrogen Systems' governance, the Board of Directors has a chairmanship consisting of two members - the Chairman and the Vice Chairman. The chairmanship assists the Board of Directors in planning meetings and engagements with the company's

Meeting attendance

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

● Attending ○ Not attending – N/A

*Member of the Board of Directors until 18 April 2023
**Member of the Board of Directors from 18 April 2023

Corporate governance (continued)

Executive Management while reporting back to the Board of Directors.

To increase efficiency and improve the overall quality of the Board of Director's work, an Audit Committee, a Remuneration and Nomination Committee, and a Manufacturing and Technology Committee have been established. The Audit Committee assists the Board of Directors in overseeing aspects of accounting, auditing, risks, internal controls and financial, environmental, social and governance data. The Remuneration and Nomination Committee assists the Board of Directors in nominating and remunerating candidates for the Board of Directors and Executive Management, including guidelines for incentive pay for the Executive Management. The Manufacturing and Technology Committee assists the Board of Directors in reviewing and assessing developments in the energy landscape and the challenges that have arisen and are expected to arise in connection with the scale-up and industrialisation of Green Hydrogen Systems' technology.

Evaluation of the Board of Directors

The Board of Directors conducts an annual self-evaluation and review of the Board of Director's performance, results, and competences, including an evaluation of the individual Board member's performance and the co-operation with the Executive Management.

The Remuneration and 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 board members. The last time the self-assessment was facilitated by external consultants was in September 2021. The annual self-assessment in 2023 included an assessment of strategy development and implementation, collaboration between the Board of Directors and Executive Management, board composition and dynamics, preparation and execution of board meetings, risk awareness and evaluation of the chairman. Overall, the self-assessment showed that the Board of Directors had performed well and that there was good co-operation between the Board of Directors and the Executive Management.

The Board found that the initiatives taken in 2023 to further increase the Board of Director's competences and focus on developing and implementing the strategy, and the monitoring of 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 embedded at management level to ensure that the entire organisation ultimately reflects the values and principles of diversity and inclusion. The Board of Directors and Executive Management, therefore, continuously evaluate the composition of Green Hydrogen Systems' management bodies when assessing how new competences and qualifications can be brought into play. Pursuant to §139 (c) of the Danish Companies Act, the Board of Directors has established targets to increase the proportion of the underrepresented gender and has established a policy to increase the proportion of the underrepresented gender at all management levels in the company. The company's diversity policy and policy and targets for the underrepresented gender are available at investor.greenhydrogen.dk.

Remuneration

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

Board members are paid a fixed annual base fee. The Chairman and Vice Chairman and the members of the Audit Committee, the Remuneration and Nomination Committee and the Production and Technology Committee receive an additional fee. Board members do not participate in any incentive programmes – 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 consisting of both a short-term and long-term incentive programme. The fixed salary aims to attract and retain high-performing members of the Executive Board 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 Board to make decisions with a long-term perspective in mind without undue consideration of short- or long-term incentives. The long-term incentive is designed to align the interests of management with those of shareholders by being share-based and including targets linked to the achievement of long-term goals.

The company's remuneration policy is reviewed annually by the Remuneration & Nomination Committee and the Board of Directors. The remuneration policy and the remuneration report for 2023 are available at investor.greenhydrogen.dk.

Corporate governance recommendations

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, the company publishes its corporate governance report for the financial year 2023 on investor.greenhydrogen.dk.

Shareholder information

Share price development
The Green Hydrogen Systems share closed at DKK 6.04 per share on 31 December 2023 with a total market capitalisation of DKK 1,134 million. Since 1 January 2023, the share price has increased by 13.2% (adjusted for rights issue in 2023). In comparison, the global share index for renewables iShare Global Clean Energy decreased by 21.6%, while the Nasdaq Copenhagen MidCap index, of which Green Hydrogen Systems is a component, increased by 3.0% during the same period.

The daily average trading volume of the Green Hydrogen Systems share was 429,836 shares, corresponding to an average of DKK 6.9 million per day.

Share capital and ownership structure
Green Hydrogen Systems' share capital amounts to 187,733,902 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 2023, Green Hydrogen Systems had +30,000 registered shareholders. The diagram 'Ownership structure' shows the composition of the shareholders highlighting geographical presence and holdings above 5% of the share capital.

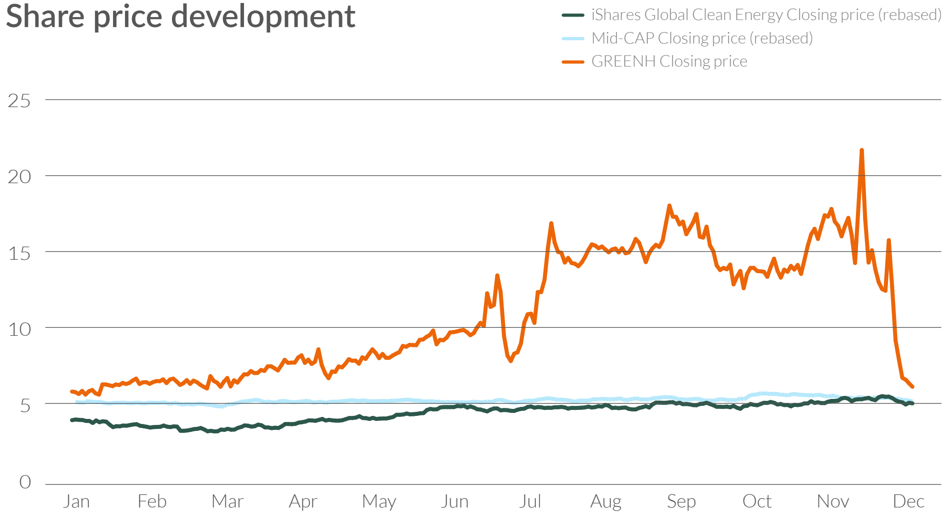
Communication with shareholders
Green Hydrogen Systems aims to openly communicate with investors, analysts and other IR stakeholders ensuring that they can obtain an updated understanding of the Company's financial and strategic performance as well as the opportunities and risks. Green Hydrogen Systems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

In the event of a material change of control in the company resulting from a change in ownership, the company's mortgage loans can be terminated without notice and for immediate repayment to the lender. No other material agreements are in place that would be affected in the event of a change of control of the company resulting from a change in ownership, and no special agreements have been made between the company, its management or employees if their positions are discontinued due to a change in ownership.

Financial calendar 2024

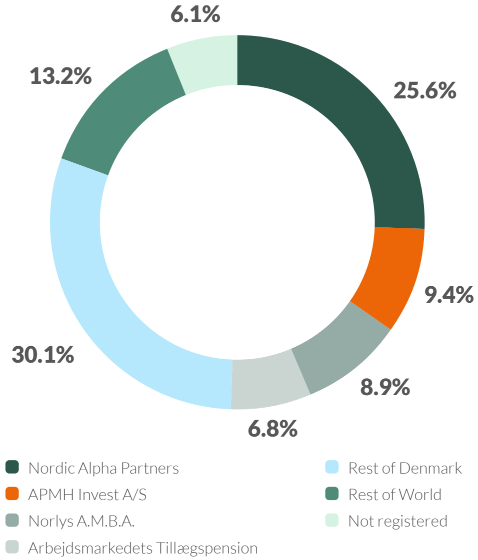
Annual General Meeting:	9 April
Q1 2024 trading statement:	29 April
H1 2024 interim report:	27 August
Q3 2024 trading statement:	30 October

Share price development



Ownership structure

(approximate figures)



Share information

Stock exchange:	Nasdaq CPH A/S
Index:	Mid Cap
Share capital (DKK):	187,733,902
Number of shares:	187,733,902
Nominal value (DKK):	1
ISIN code:	DK0061540341
Trading symbol:	GREENH
Share price at year-end (DKK):	6.04
Treasury shares:	n/a

Executive management

Peter Friis
CEO and CTO

Employed since 2023

Danish, born 1970

Education:
Electrical engineer from Aarhus Univisity, Management education from INSEAD

Previous Experience:
Kilde Automation (Chief Executive Officer), Vestas (various management positions, latest as SVP Performance Engineering)

Ole Vesterbæk
CFO

Employed since 2022

Danish, born 1969

Education:
Master of Science in Business Economics and Auditing from Aalborg University, Asian International Executive Program from INSEAD

Previous Experience:
Danish Crown (CFO Danish Crown Pork), ECCO Shoes (COO & CFO USA)

Søren Rydbirk
CCO

Employed since 2021

Danish, born 1977

Education:
Master of Science in Strategy and Management from Aarhus School of Business.

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

Carsten Schütz
COO

Employed since 2023

German, born 1972

Education:
Aerospace engineer from University of Stuttgart, Management education, Lancaster University

Previous Experience:
Airbus (various management positions, latest as VP and Head of Production), BAE Systems (Chief Engineer)

Birgitte Høgh
CHO

Employed since 2021

Danish, born 1971

Education:
Master of Science in Psychology of Organisations

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

Board of Directors

Christian Clausen
Chairman

Year of first appointment: 2020

Danish, born 1955

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

Previous experience:
Nordea (Group Chief Executive Officer)

Troels Øberg
Vice Chairman

Year of first appointment: 2020

Danish, born 1978

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

Previous experience:
Flokk (Chief Executive Officer), Ørsted (Head of Sales)

Anders Vedel

Year of first appointment: 2022

Danish, born 1957

Other Positions:
Vestas (Chief Science Advisor for the BoD and ExM), S&L Access Systems AB (Board member), Hvide Sande Havn (Board member)

Previous experience:
Vestas (Chief Technology Officer)

Karen Dyrskjøt Boesen

Year of first appointment: 2022

Danish, born 1971

Other Positions:
Sonnedix (Chief Financial Officer)

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

Board of Directors (continued)

Armin Schnettler

Year of first appointment: 2022

German, born 1963

Other Positions:
5THydrogen (Operating Partner); HIF EMEA (President); profas consulting GmbH (CEO)

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

Poul Due Jensen

Year of first appointment: 2023

Danish, born 1971

Other Positions:
Grundfos (CEO), World Economic Forum (member of WEF Alliance of CEO Climate Leaders)

Previous experience:
Grundfos (Group Executive Vice President)

Simon Ibsen

Year of first appointment: 2020

Danish, born 1987

Other Positions:
A.P. Møller Holding (Principal), KK Wind Solutions (board member)

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

Lars Bertelsen

Year of first appointment: 2019

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)

Case story A-Series

Enabling Latin America's first industrial-level green hydrogen plant at a Walmart distribution centre in Chile

Photo credit: ENGIE Chile

The Partnership: Powering Walmart Chile's Transition to 100% Green Logistics

In 2021, ENGIE Chile and their contractor NHOA Energy engaged Green Hydrogen Systems to deliver a HyProvide® A60 electrolyser unit to play a key role in Latin America's first industrial-level Green Hydrogen Production Plant at Walmart Chile's Quilicura distribution centre. The plant was inaugurated on 10 August 2023, and when operating at full load, it is able to produce up to 280 kg of green H2/day.

In this project's first stage, Walmart has replaced lead-acid batteries in 200 forklift trucks with hydrogen fuel cell power-trains. This transition will result in a substantial reduction of 250 tonnes of hazardous waste annually. By integrating these new hydrogen-powered units, Walmart anticipates an enhancement in the productivity and efficiency of its centre while concurrently supporting environmental benefits.

The Customer

In this project, Walmart Chile's logistics department has engaged ENGIE Chile to execute the project through their integrator NHOA Energy.

ENGIE Chile engages in the production, transmission, and distribution of electric power and in natural gas transportation, focusing on industrial clients and mining companies in northern Chile.

Looking ahead

Though still in its early days, the project is already being considered a success and has shown potential to be replicated across multiple sites, significantly reducing carbon emissions. The plant is a testament to Walmart's commitment to sustainability and innovation, and the collaboration with ENGIE Chile and NHOA Energy highlights the importance of strategic partnerships in driving the transformation towards a greener future.

Sustainability

General information

The Company's commitment to push for a more sustainable future is outlined in the sustainability policy in accordance with the Danish Recommendations on Corporate Governance. The policy sets out the principles on the Company's sustainability principles including principles on corporate social responsibility. The policy is implemented through management systems, targets, and actions in the day-to-day work. This is further described in the below sections.

The basis for preparation
The Sustainability section is prepared in accordance with the requirements set in the Danish Financial Statements Act paragraf 99 a, b and d and contains information on the activities, progress and policies within environment, social aspects, human rights, anti-corruption and anti-briebery. Furthermore information on the underrepresented gender is available under the section on governance.

Material topics

E
Climate change and energy | Biodiversity | Water | Circularity

S
Diversity, equity and inclusion | Health and safety
Human capital | Human and labour rigths

G
Responsible sourcing | Cyber security
Corporate culture and business ethics

Materiality and preparing for the Corporate Sustainability Reporting Directive
In 2023, Green Hydrogen Systems made progress in preparing for the upcoming Corporate Sustainability Reporting Directive. Impact from the Company on the surroundings and the risks and opportunities to the business were identified and the materiality of a wide range of ESG topics were assessed. The assessment is based on information from a variety of stakeholders and the enterprise risk management system (ERM). Several of the top priorities in the ERM lie within the ESG topics. The assessment will provide a basis for the future reporting framework and for the Company's aspirations within sustainability. The double materiality assessment will be updated on a regular basis and as a minimum when the ERM is updated, to capture any changes or new impacts, risks, and opportunities.

E S G

Environmental performance

Care for the planet is rooted in the values of Green Hydrogen Systems. The sustainability and environmental policy sets out principles and practices to guide the Company's aspiration within environmental performance.

Climate (CO_2e) and energy
Climate change is one of today's defining issues for society and immediate actions are required. Green hydrogen has a huge potential for playing a central part of transforming the energy system into a fossil-free energy system, and curbing climate change is the core in the business model of Green Hydrogen Systems. The Company is dedicated to help its customers decarbonise their operation and is committed to contribute to transform the society into a fossil-free economy. However, Green Hydrogen Systems also acknowledges that transforming into a fossil-free economy, also entails the Company to take responsibility and reduce greenhouse gas emissions generated when producing, assembling, and testing electrolysers and the value chain that is attached to this. The sustainability policy describes the Company's commitment to foster affordable green hydrogen and reduce greenhouse gas emissions from its own operation and value chain.

In 2023, the Company mapped, scope 1 and 2 greenhouse gas emissions related to its own operation and prepared for mapping scope 3, which comprises the full value chain, in accordance with the Greenhouse Gas Protocol.

Scope 1 emissions cover the company leased vehicles and scope 2 emissions cover the purchased grid energy from the Company's sites.

The main share of the energy consumption is related to testing the electrolysers, where the minor share is from the offices. To partly offset the emissions, the existing factory roof is fitted with solar panels and further solar panels are in process of being installed on the new production facility which opened last year. Additional

E S G

electricity is sourced through guarantee of origins securing a high degree of renewable energy in the total consumption. The possibilities for sourcing energy through Power Purchase Agreements are evaluated on a regular basis and will be applied when possible.

The Company continuously works to reduce the energy consumption by e.g., designing factory acceptance tests (FAT) to partly operate in off-peak timeslots when possible and increase product efficiency.

The scope 1 emissions include emissions from fuel consumed by the leased company vehicle fleet. Green Hydrogen Systems have a green car policy, which promotes choice of environmentally preferable cars and sets out limit values for the carbon footprint of the car choice.

Green Hydrogen Systems has an ambition to be net-zero by 2050. In 2024, Green Hydrogen Systems will focus on developing the baseline further as the value chain is expected to cover the main part of the greenhouse gas emissions related to the Company. Based on this, a reduction path will be developed.

Water scarcity and electrolysis

The electrolysis process relies on a stable source of pure water. The efficiency of the electrolysers is highly dependent on the purity of the water and the water sourced undergoes several purification steps.

As freshwater is a scarce resource and the water stressed areas are expected to increase in numbers and severity due to climate change, it is important to use the scarce freshwater resources efficiently and with care for the planet and society.

According to the Aqueduct Water Risk Atlas (World Resource Institute), Green Hydrogen Systems' own production site in Kolding, is located within a low-medium water risk area.

Scope 1	Scope 2*
140 ton CO_2e	56 ton CO_2e

* Market-based

"The environmental policy sets out principles and practices for how the Company implement the respect for the natural environment and its ecosystems into the daily operations including, reducing water consumption."

However, it is also important to consider the water sourced not only within the Company's own production but also in the value chain, where electrolysers are used, and large-scale electrolysis potentially uses large amounts of water. It should be emphasised that the electrolyser is not dependent on freshwater resources, but rather on a stable water source, which can provide water which is purified to the needed level. Thus, it is possible to use other sources of water such as wastewater, contaminated groundwater, process water, sea water, etc. and apply the needed treatment processes.

The environmental policy sets out principles and practices for how the Company implements the respect for the natural environment and its ecosystems into the daily operations, including reducing water consumption. The Company will continue its efforts with increasing resource efficiency and reducing consumption.

Environmental and resource management

Green Hydrogen Systems holds certification in ISO 14001 setting a framework to manage environmental aspects, fulfil compliance obligations and address environmental risks and opportunities. Based on the implementation of ISO 14001 Green Hydrogen Systems works with improving resource and waste efficiency benefiting the environment and the Company's cost base. The Company conducts internal audits to oversee the implementation and to ensure continuation of the certification. The environmental and resource management is governed by the environmental policy, which sets out principles and practices for resource efficiency and reducing resource consumption.

The Company will keep pursuing improvements on its environmental performance by e.g. substituting materials with more sustainable sources and enhance resource efficiency.

E S G

Social performance

In Green Hydrogen Systems, people are key to deliver on the strategy and the health and safety of the employees and other stakeholders is the uncompromising priority number one.

Health and safety

The health and safety of the employee both entails mental, physical, and social health and Green Hydrogen Systems continuously works to improve these aspects.

2023 was an important year where several initiatives were launched to ensure and enhance the health and safety of the employees.

In the beginning of the year, a common set of values were developed and launched, refer section "Corporate culture and business ethics". The values serve as guiding principles for employees and in decision-making processes and provides a foundation for our ways of working.

The importance of the employees' well-being is further emphasised with the launch of the policy on harassment, bullying and other abusive behaviour. The purpose of the policy is to support the positive culture and the healthy psychological work environment. In Green Hydrogen Systems everyone has the right to be treated with respect, and everyone has a duty to treat each other in a dignified manner – regardless of racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction or social origin, or other forms of discrimination. The policy ensures that all employees including managers know how to act and where to get help to handle a situation of abusive behaviour in any form.

Rethinking our workspace

In 2023, hybrid working and the work from home policy was launched. The policy supports a more flexible work-life balance and ensures that all employees are present at the office several days a week to support the well-being of the employees and the benefit of socialising. Being present at the office is vital to develop a strong corporate

In 2023, Green Hydrogen Systems inaugurated approx. 650 m2 of new workspace. The new workspace accommodates more flexible meeting spaces, smaller rooms for focus time and social areas, where people can get together. The new facilities provide a more inspiring work environment which is key in creating an attractive place to work.

E S G

culture and strengthening the coherence and collaboration between the employees.

Keeping our people safe
The security and safety of the employees and stakeholders is the number one priority within Green Hydrogen Systems and the Company holds certification for occupational health and safety management (ISO 45001) that supports the implementation of health and safety management within the organisation, so everyone can safely return to their home. The Company has built a safety management organisation to supervise and oversee that a solid safety culture is maintained. Green Hydrogen Systems daily monitors safety by reporting, recording, and handling observations, near-misses and accidents. The focus on a safe working environment is present at all levels of the organisation and is supported by the occupational health and safety policy. The policy emphasises Green Hydrogen Systems' goal to reach zero accident and to practice zero-tolerance towards harassment. Furthermore, safety is integrated in the Short-term Incentive Scheme of all employees to highlight the importance of safety within the organisation.

In 2023, the Company have introduced a Stop Work Authority as everybody is entitled to stop any unsafe situations. The program ensures integration of responsibility and safety awareness across the organisation. Several safety campaigns on e.g. slips, trips and falls, reverse parking etc. were launched to prevent accidents and to ensure all employees are aware of safety when starting their working day. Furthermore, the numbers of Standard Operating

Total recordable injury rate (TRIR)

Target 2023	2023	2022
<11.4	4.6	22.9

Lost time injury rate (LTIR)

Target 2023	2023	2022
<3.8	2.3	7.4

Fatalities, number

Target 2023	2023	2022
0	0	0

Procedures have been improved and safety walks were conducted by managers. The great efforts on safety resulted in the fact that all targets on Total Recordable Injury Rate (TRIR), Lost Time Injury Rate (LTIR) and fatalities were met. The LTIR decreased from 7.4 in 2022 to 2.3 in 2023 and the TRIR from 22.9 in 2022 to 4.6 in 2023.

In 2024, Green Hydrogen Systems will continue to implement the policies into actions and improve the work environment for its employees. A Safety Handbook has been finalised and will be implemented in 2024 and a new engagement survey and workplace assessment will also be launched during 2024. The Company will set measurable targets to support this.

Human capital
An attractive workplace is essential for attracting new and retaining employees, and Green Hydrogen Systems continuously work to improve benefits for its employees and obtain the right composition of talents. In 2023, the FTE increased for the third year in a row, which is part of the scaling strategy. However, the increase is lower than the previous year because of a healthy view to balance the employee intake to match the business requirements at the right time, place and pace.

Furthermore, the voluntary employee turnover increased to 21.7% in 2023, which is a result of partly natural flow of employees and a change in business priorities. Changing in priorities and operational areas is a natural result of scaling and maturing the Company. In 2023, this has resulted in a higher voluntary turnover.

Green Hydrogen Systems will continue to work on attracting and retaining the right talents. Creating the right circumstances for this is governed through the occupational health and safety policy and the policy on harassment, bullying and other abusive behaviour as described in section "Keeping our people safe".

Diversity and inclusion

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

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

However, the gender split in the workforce and at management level has not changed from last year. During 2023, Green Hydrogen Systems implemented diversity into the recruitment process. This entailed gender neutral wording in recruitment processes, adding diversity and inclusion paragraph to job ad, stating our commitments, and encouraging all qualified candidates to apply regardless of race, ethnicity, religion, sex, sexual orientation, age, citizenship, material status, disability, or gender identity. The Company has in 2023 implemented a maternity and paternity leave policy as well as a hybrid work model to provide an attractive and flexible workplace for all. Furthermore, the Company aims at having at least one of the underrepresented gender within the final three in the recruitment process.

The Board of Directors consists of 7 men and 1 woman. The Company aims to and has initiated a process to increase the share of the underrepresented gender at the Senior Management level and Board of Directors to meet the Company's target of a minimum of 40% female members of the Board of Directors and the Senior Management by 2030.

The Company has not reached the targets set for 2023 due to the fact that the population of the BoD and Executive Management are fairly new in their roles. The Board was established in 2021 and the same applies for the Executive Management Team, however the Company continues to work and focus on the Board and Executive Management composition to comply with the targets set for the underrepresented gender as planned.

The Company will continue to improve the foundation for diversity, equity, and inclusion to flourish. In 2024, the Company will investigate committing to the 'Gender diversity pledge' by Danish Industry to support and strengthen the work with gender diversity.

Human and labour rights

Green Hydrogen Systems' position on human rights is governed by the sustainability policy which covers sustainability principles, including principles on corporate social responsibility. The human and labour rights of the employees are protected via employment contracts, policies on diversity and inclusion and on harassment, bullying and other abusive behaviour, and national laws. 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. 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 recognises the significance of maintaining and promoting human and labour rights across the supply chain. The Company has incorporated principles as part of the Company's supplier code of conduct for preventing any use of child labour, forced labour, etc. In 2023, a process for updating and strengthening the supplier code of conduct has started.

The whistleblower system further offers a secure and anonymous process for speaking up in case of any problematic issues and violation of legislation. The system is promoted to the suppliers by linking to the whistleblower within the supplier code of conduct.

Target figures on the underrepresented gender

	2023
Board of Directors (BoD)	
Total number of members	8
Percentage underrepresented gender	12.5%
Target figure compared to actual number of members	2
Percentage target figures	25%
Year of achievement of target figures	2024
Senior Management*	
Total number of members	10
Percentage underrepresented gender	20%
Target figure compared to actual number of members	4
Percentage target figures	40%
Year of achievement of target figures	2024

* Definition
(i) Employees in GHS, who report directly to the BoD (the "Executive Management") and
(ii) Employees in GHS, who report directly to the Executive Management, and who, each individually, hold personnel responsibilities towards employees in GHS.

In 2023, the business operation has not given rise to any reports on human rights misbehaviour directly to management or through the Company's whistleblower function.

In 2024, Green Hydrogen Systems will work on further strengthening human rights through the value chain by setting up a process for monitoring the application of the code of conduct and setting targets. To further promote the whistleblower system internally, the Company will enhance the awareness amongst the employees in 2024.

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Governance performance

The Company believes that business ethics and proper conduct are based on sound and ethical company values as well as due and proper compliance with applicable laws and regulations.

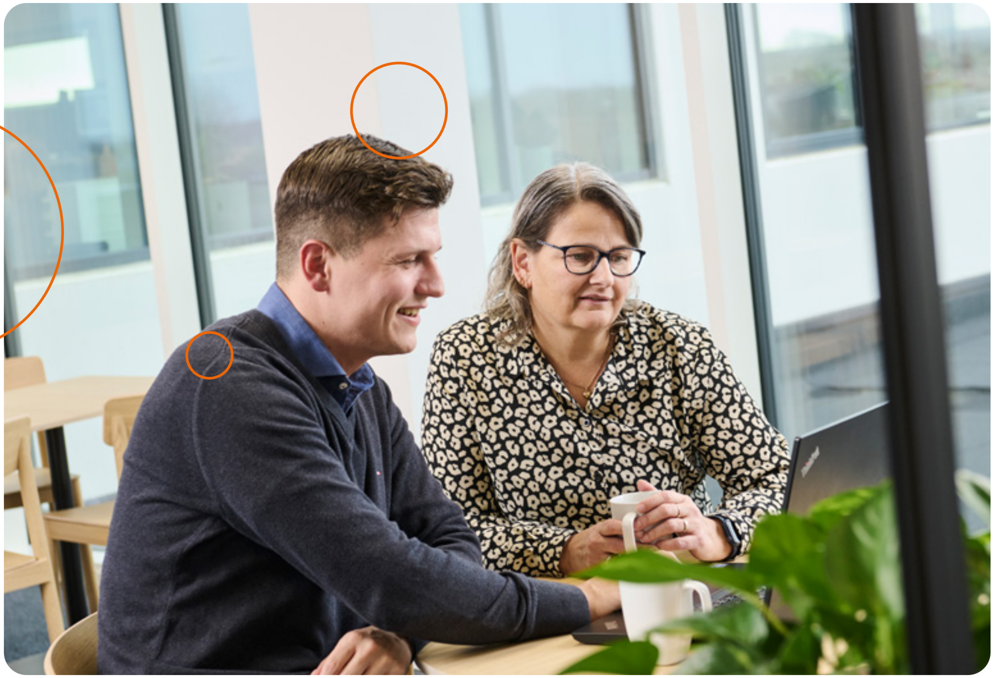
Corporate culture and business ethics
When fast scaling and maturing a business, business ethics and the importance of creating a common set of guiding principles and values becomes even more important to align the business.

A common set of values were developed and promoted in 2023: "We promise to care, commit and collaborate in respect of our team, customers and planet".

The common values and promise serve as a guidance in decision-making processes and as a common platform for interaction. The values are incorporated into the short-term incentive program and all new employees are introduced to the values through the introduction program. Furthermore, the values are a part of the employment engagement survey.

"We promise to care, commit and collaborate in respect of our team, customers and planet"

The Company further complies with domestic and national laws regarding anti-corruption, anti-money laundering etc. The business ethics principles are governed by the sustainability policy.



"To reinforce direct, daily communication in the workplace regarding errors and unsatisfactory conditions, Green Hydrogen Systems has established a whistleblower scheme"

Whistleblower

To reinforce 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 to maintain anonymity. The whistleblower scheme is intended to contribute to the detection and, as far as possible, the prevention of serious errors and misconduct.

Whistleblower Scheme | GHS (greenhydrogensystems.com)

The Company will continue to improve its corporate culture and business ethics by continuing to raise awareness of this internally and externally.

Responsible sourcing and supplier management

Green Hydrogen Systems' focus on sustainability and societal issues is also reflected in the Company's supplier code of conduct. Besides human rights with reference to section "Human and labour rights", the supplier code of conduct outlines conduct in relation to business ethics, anti-corruption, environmental impact, and safety that all suppliers must adhere to. Green Hydrogen Systems reserves the right to conduct inspections to ensure compliance with the code of conduct. Inspections can be carried out by independent third parties and may be unannounced.

In 2023, the Company started updating the supplier code of conduct with reference to section "Human and labour rights". Furthermore, the Company have introduced ESG measures into the supplier assessment, when recruiting new suppliers to support responsible sourcing.

In 2023, the business operation has not given rise to any reports on corruption or other supplier related misbehaviour directly to management or through the Company's whistleblower function.

In 2024, the Company will maintain working at integrating sustainability measures and responsibility when sourcing products.

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 Systems does not pass on or sell data to any third party.

Green Hydrogen Systems 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.

ESG indicators

Environmental performance	Notes	2023	2022
Scope 1 greenhouse gas emissions	1.1	140	
Scope 2 greenhouse gas emissions - market-based, ton CO_2	1.1	56	–
Scope 2 greenhouse gas emissions - location-based, ton CO_2	1.1	317	–

Social performance	Notes	2023	2022
Employees (FTE end of period), number	1.2	295	276
Average numbers of employees, number	1.2	295	242
Voluntary employee turnover, %	1.3	21.7	14.9
Gender distribution in senior management, (female/male), %	1.4	20/80	8/92
Total recordable injury rate (TRIR)	1.5	4.6	22.9
Lost time injury rate (LTIR)	1.5	2.3	7.4
Fatalities, number	1.5	0	0

Governance performance	Notes	2023	2022
Share of the underrepresented gender in BOD (women), %	1.6	12.5	11.1

Note 1

Accounting policies

Principles for consolidation

The sustainability statement has been prepared on a consolidated basis as the financial statement covering Green Hydrogen Systems A/S. The reporting period is the financial year.

Boundaries

An operational control approach is applied when reporting on ESG metrics. The boundary set for the ESG metrics covers what is within the control of the Company and might vary for the different ESG metrics.

Note 1.1

Greenhouse gas emissions

Greenhouse gas emissions development

2023 was the first year where scope 1 and scope 2 greenhouse gas emissions were mapped for the Company.

Accounting policy – Greenhouse gases

Greenhouse gasses are gasses which contribute to global warming and are calculated in CO_2-equivalents (CO_2e). As greenhouse gases have different global warming potentials they are converted into CO_2-equivavelents by comparing their warming potential to kilo CO_2. The global warming potential for different greenhouse gases is based on IPCC Fifth Assessment Report, and e.g. 1 kg of methane is equivalent to 28 kg of CO_2e.

The methodology for calculating scope 1 and scope 2 emissions is based on the Greenhouse Gas Protocol.

Disclosure on scope 1 and 2 greenhouse gas emissions covers the assets owned and/or controlled, and vehicles leased long-term by the Company. This includes headquarter and production site in Kolding as well as other leased facilities where the Company has activities including project site in Skive.

Scope 1 emissions – Direct emissions

Scope 1 emissions include the direct greenhouse gas emissions which are within the control of the Company. The emissions within scope 1 are limited to greenhouse gas emissions from company cars leased or owned by Green Hydrogen Systems and stationary combustion of diesel at sites. The Company have long-term leases of vehicles which includes electric, hybrid, diesel, and petrol cars. Electrical vehicles are accounted for under scope 2, as these are fueled by purchased electricity. The emissions are calculated based on liter diesel and petrol obtained from the leasing companies and invoices, when possible. When fuel has been purchased and reimbursed via expense claims the spend in DKK has been used for calculating the emissions. As purchases for hybrid vehicles cannot be divided into petrol and electricity a worst-case scenario is calculated estimating full purchase of petrol. The data has been extrapolated for the final two months to cover the full year.

Scope 2 emissions – Indirect emissions

Scope 2 emissions include indirect emissions from purchased energy from the grid e.g., electricity, heating, and cooling for energy purposes including electrical company cars. The scope 2 emissions include electricity and heat purchased for the headquarter facilities in Kolding and assets leased within the period of accounting. Heating is supplied via heating pumps at the headquarter. The data for electricity and heat consumption is based on invoices where available. For leased assets, where aconto consumption is paid via the rent, spend-based data is used. The scope 2 emissions are calculated as both location-based and market-based emissions in accordance with the Greenhouse gas Protocol. The location-based emissions are based on the national grid mix whereas the marked-based emissions include the Company's purchase of Certificated of Origin and thus account for purchase of certificates for renewable energy.

Note 1.2

Employees (Full Time Equivalents – end of period and average)

FTE development
People are key to deliver on the strategy and the number of full-time equivalents is monitored and reported internally monthly. Increase in full-time equivalents is a part of the scaling strategy of the Company. In 2023, the total number of full-time equivalents (FTE) increased by approx. 7% compared to 2022. The increase is lower than the previous year, which reflects a healthy view to balance the employee intake to match the business requirements at the right time, place, and pace.

Accounting policy
The employee data is registered in the HR system and is reported internally monthly.

The full-time equivalents indicate how the Company scales and deploys its resources.

The total number of employees end of period include all employees which are contractually employed and paid by the Company directly, by end of the financial year (31 December 2023). This includes all employees on permanent and temporary contracts. External consultants are excluded. Redundant employees, released from all duties or not, are included until expiry of notice period.

The full-time equivalents (FTE) are calculated as the contractual work hours divided by the full-time work hours in accordance with a full-time contract for the specific position and within the specific country.

The yearly average full-time equivalents (FTE) are calculated as the monthly average and is summed up over the full year.

Note 1.3

Voluntary employee turnover

Development
The number of voluntary turnovers increased from 14.9% in 2022 to 21.7% in 2023, which is a result partly of the natural flow of employees and a change in business priorities. Change in priorities and operational areas is a natural result of scaling and maturing the Company.

Accounting policy
The employee turnover rate indicates how well the Company retain its talents and how efficient it operates.

The turnover rate is defined as the total number of leavers (the last 12 months) divided by the average number of employees (the last 12 months). The voluntary turnover rate includes the employees who left voluntarily and thus, terminated employees are excluded.

The number of employees are equivalent to headcounts.

Note 1.4

Gender diversity

Development
The gender split within the senior management level, has increased from 8% in 2022 to 20% in 2023.

Read more about the Company's efforts within diversity, equity, and inclusion on page 38.

Accounting policy
The gender distribution in the senior management is calculated as the headcount of females and males in senior management divided by the total headcount of employees in senior management end of period. Senior management positions are defined as employees in GHS, who report directly to the BOD (the "Executive Management") and employees in GHS, who report directly to the Executive Management, and who, each individually, hold personnel responsibilities towards employees in GHS.

Note 1.5

Accidents

Development

The security and safety of the employees and stakeholders is the number one priority within Green Hydrogen Systems. The TRIR and LTIR has decreased significantly from 22.9 in 2022 to 4.6 in 2023 and from 7.4 in 2022 to 2.3 in 2023 respectively. The fatality rate is still at zero.

Read more about the Company's efforts within safety on page 37.

Accounting policy

Work-related injuries include employees exposed to an injury while conducting work for or traveling on behalf of the Company. Fatalities are death of an employee while conducting work for or traveling on behalf of the Company.

All employees are obliged to report any sickness or injury to their manager. Furthermore, all employees are expected to register and report any failures, deficiencies, accidents, observations, near misses and suggestions for improvements in the SHE app and these are collected monthly.

Injuries included in the metrics covers all employees with a GHS ID number and externals such as temporary persons working under supervision of a GHS person. Externals working under supervision of own company management is not included in the numbers.

The total recordable injury rate is calculated as the total recordable injuries per million working hours. The total recordable injuries include lost time injuries, restricted work cases and medical treatment cases.

The lost time recordable injury is calculated as the lost time injuries per million working hours.

Lost time injuries cover injuries where the person is not able to come to work the following day. The restricted work cases cover injuries in which the person can come to work, but only can perform restricted work duties i.e., not the usual type of work. Medical treatment cases cover injuries in which a person is treated by professional medical experts, but where it does not result in absence.

Working Hours are defined as working hours from GHS employees which have been reported in ProMark (for production) and in SAP BYD (for all other). Employees report their working hours and each manager approve the reported working hours.

Note 1.6

Gender diversity in Board of Directors

Development

The gender split within the BoD has increased slightly from 11.1% women, in 2022, to 12.5% women in 2023. However, this is mainly due to the fact that the board has now 8 members compared to 9 in 2022. The board still only have one woman amongst its members.

Read more about the Company's efforts within diversity, equity, and inclusion on page 38.

Accounting policy

Share of women in the Board of Directors is calculated as the headcount of female board members divided by the total headcount of board members end of period.

Financial statements

Management's statement

The Board of Directors and Executive Management have today considered and adopted the Annual Report of Green Hydrogen Systems A/S for the financial year 1 January – 31 December 2023.

The Financial Statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations and cash flows for 2023.

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 to 31 December 2023 with the file name 984500COESDF699DEC11-2023-12-31-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, 15 March 2024

Executive Management

Peter Friis

Ole Vesterbæk

Board of Directors

Christian Clausen (Chairman)

Lars Valsøe Bertelsen

Anders Jakob Vedel

Karen Dyrskjøt Boesen

Armin Schnettler

Poul Due Jensen

Simon Krogsgaard Ibsen

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 2023 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting 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 2023 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including material accounting policy information ("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

We were first appointed auditors of Green Hydrogen Systems A/S on 30 March 2022 for the financial year 2022. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of two years including the financial year 2023.

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 2023.

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 costs The Company capitalises development costs related to electrolysers and electrodes when certain criteria according to IFRS Accounting Standards are met. Development projects in progress are tested for impairment annually. Completed development projects are amortised and are tested for impairment if there are any indications of impairment. Impairment indicators are regularly monitored, and Management assesses whether there is any indication of impairment, e.g., changes in the ability to comply with the capitalisation criterias, technical issues or other indications that the developed technology is impaired. Management determined the recoverable amount of the development projects based on the market value of the company, as the development, refinement and commercialisation of the electrolysis technology is the Company's main activity. The market value exceeds the carrying amount by a substantial amount. We focused on this area, because Management is required to exercise considerable judgement, and because of the inherent complexity and subjectivity in the estimation and assessment. Refer to note 2 and 12 in the Financial Statements.	We selected a sample of development projects in progress and considered whether the criterias for capitalisation in IFRS Accounting Standards were met. As part hereof, we challenged Management's assessment whether the intend and feasibility to finalise the projects exists and whether the projects are expected to generate future economic benefits exceeding the carrying value. We assessed relevant internal controls and performed substantive audit procedures to verify capitalised amounts. We discussed with Management and evaluated the methodology by which Management monitors indicators of impairment including the commercial expectations for the projects and the market value of the company based on quoted value of the shares. In addressing the risk, we considered the appropriateness of Management's applied methodology for impairment testing to determine compliance with IFRS accounting standards. Further, we evaluated and challenged the impairment test performed by Management on development projects in progress including the assumptions and data applied. Finally, we assessed Management's disclosure of these matters in the Financial Statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories and onerous contracts The Company has continued to build-up inventories in 2023 due to the commenced production of electrolysers. Inventories are measured at the lower of cost and net realisable value. Cost comprises raw materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Valuation of work in progress is based on standard costs, which are derived from a framework of sub-assemblies and the raw material and estimated direct labour needed to produce these sub-assemblies. During 2023, the Company has recognised additional write downs on inventory for electrolysers under construction due to expected negative margins and late delivery discounts related to contracts with customers entered into in previous years. Further, in 2023 the technical issues were solved and a detailed plan on necessary retrofitting on units under construction was prepared. The expected costs are recognised as provisions. We focused on this area as Management is required to exercise considerable judgement in respect of determining assumptions applied to raw materials and labour in estimating costs to complete the construction and in the estimated timing of the delivery of these units. Refer to note 2 and 17 in the Financial Statements.	We carried out risk assessment procedures in order to obtain an understanding of IT systems, business processes and relevant controls regarding valuation of inventories and onerous contracts. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. We assessed relevant internal controls and on a sample basis performed substantive audit procedures to verify amounts recognised as the cost of the electrolysers. We considered the appropriateness of the analysis of "raw materials and consumables used" in the production, sample tested input data and evaluated the explanations provided by Management. We evaluated the overview prepared by Management detailing the expected negative margins on the electrolysers under construction and estimated late delivery discounts. We compared the overview to the terms in the related sales contracts, and on a sample basis verified the expected cost to complete the electrolysers, by comparing the assumed costs of raw materials to the most recent purchase prices of the raw materials. We evaluated and challenged Management's expectations to the completion and delivery of the electrolysers, utilised in the calculation of late delivery discounts. Finally, we assessed Management's disclosure of these matters in the Financial Statements.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Report on compliance with the ESEF Regulation

A As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Green Hydrogen Systems A/S for the financial year 1 January to 31 December 2023 with the filename 984500COESDF699DEC11-2023-12-31-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 including notes.

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

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

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

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

In our opinion, the annual report of Green Hydrogen Systems A/S for the financial year 1 January to 31 December 2023 with the file name 984500COESDF699DEC11-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 15 March 2024
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

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

Statement of comprehensive income

Statement of profit or loss

DKK '000	Notes	2023	2022
Revenue from contracts with customers	3, 4	41,979	10,422
Production costs	5	(169,358)	(124,118)
Total revenue & production costs		**(127,379)**	**(113,696)**
Research and development costs	5	(128,933)	(55,172)
Sales and distribution costs	5	(37,662)	(28,932)
Administration costs	5	(102,603)	(85,168)
Operating profit/(loss) (EBIT)		**(396,577)**	**(282,968)**
Financial income	6	37,119	289
Financial expenses		(52,238)	(5,138)
Profit/(loss) before tax		(411,696)	**(287,817)**
Income tax	11	5,500	5,500
Profit/(loss) for the year		**(406,196)**	**(282,317)**
Earnings per share attributable to shareholders	23	**(2,60)**	**(2,26)**
Diluted earnings per share attributable to shareholders	23	**(2,60)**	**(2,26)**

Statement of comprehensive income

DKK '000	Notes	2023	2022
Profit/(loss) for the year		(406,196)	(282,317)
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	14	3,420	(23,981)
Other comprehensive income for the year		**3,420**	**(23,981)**
Total comprehensive income for the year	7	**(402,776)**	**(306,297)**

Balance sheet

Assets sheet

DKK '000	Notes	31 December 2023	31 December 2022
Intangible assets	12	261,535	173,962
Property, plant and equipment	13	381,069	313,586
Financial assets at fair value through other comprehensive income	14	929,267	562,443
Right-of-use assets	16	11,898	7,875
Deposits		652	908
Total non-current assets		**1,584,421**	**1,058,774**
Inventories	17	205,799	170,004
Trade receivables	18	51,876	10,861
Income tax receivables	11	5,500	5,500
Prepayments		4,223	10,510
Other receivables		14,329	16,393
Financial assets at fair value through other comprehensive income	14	346,900	182,600
Cash and cash equivalents		152,976	95,340
Total current assets		**781,601**	**491,208**
Total assets		**2,366,022**	**1,549,982**

Balance sheet

Equity and liabilities sheet

DKK '000	Notes	31 December 2023	31 December 2022
Share capital	20	187,734	83,166
Share premium		2,071,003	1,742,521
Reserve for development costs		199,397	131,608
Reserve for financial assets at fair value through other comprehensive income		(22,732)	(26,152)
Accumulated deficit		(1,553,577)	(1,069,088)
Total equity		**881,826**	**862,055**
Borrowings	21, 22	375,419	0
Lease liabilities	16, 22	7,310	4,560
Total non-current liabilities		**382,729**	**4,560**
Borrowings	21, 22	834,264	500,000
Trade payables	22	47,405	65,127
Lease liabilities	16, 22	4,863	3,440
Contract liabilities	19	102,314	41,428
Deferred income	8	17,425	33,297
Provisions	24	56,930	14,944
Other payables		38,266	25,131
Total current liabilities		**1,101,467**	**683,367**
Total liabilities		**1,484,196**	**687,927**
Total equity and liabilities		**2,366,022**	**1,549,982**

Statement of changes in equity

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 31 December 2022		**81,987**	**1,740,789**	**43,189**	**(2,171)**	**(691,953)**	**1,171,841**
Loss for the year		0	0	88,419	0	(370,735)	(282,317)
Other comprehensive income		0	0	0	(23,981)	0	23,981
Total comprehensive income for the year		**0**	**0**	**88,419**	**(23,981)**	**(370,735)**	**(306,297)**
Transactions with owners in their capacity as owners							
Exercise of warrants, cash		1,179	1,732	0	0	0	2,911
Share-based payments	7	0	0	0	0	4,673	4,673
Reclassification of warrant program		0	0	0	0	(11,073)	(11,073)
Total transactions with owners		**1,179**	**1,732**	**0**	**0**	**(6,400)**	**(3,489)**
Equity at 31 December 2022		**83,166**	**1,742,521**	**131,608**	**(26,152)**	**(1,069,088)**	**862,055**
Loss for the year		0	0	67,789	0	(473,986)	(406,196)
Other comprehensive income		0	0	0	3,420	0	3,420
Total comprehensive income for the year		**0**	**0**	**67,789**	**3,420**	**(473,986)**	**(402,776)**
Transactions with owners in their capacity as owners							
Capital increase, cash		104,297	365,038	0	0	0	469,335
Transaction costs for equity issuance		0	(36,557)	0	0	0	(36,557)
Exercise of RSU program		271	0	0	0	0	271
Share-based payments	7	0	0	0	0	440	440
Reclassification of warrant program		0	0	0	0	(10,943)	(10,943)
Total transactions with owners		**104,568**	**328,481**	**0**	**0**	**(10,503)**	**422,548**
Equity at 31 December 2023		**187,734**	**2,071,003**	**199,397**	**(22,732)**	**(1,553,577)**	**881,826**

Cash flow statement

Cash flow statement

DKK '000	Notes	2023	2022
Loss for the year		(406,196)	(282,317)
Changes in net working capital	32	(45,458)	(71,226)
Adjustments	32	184,691	64,884
Interests received		40,345	3,977
Interests paid		(49,815)	(4,688)
Income taxes paid/received		5,500	5,500
Cash Settlement, RSU Program		(9,286)	(8,790)
Net cash flow from operating activities		**(280,219)**	**(292,659)**
Payment for property, plant and equipment	13	(140,833)	(167,049)
Payment for development costs	12	(138,298)	(128,573)
Payment for financial assets at fair value through other comprehensive income	14	(719,998)	(103,367)
Sale of financial assets at fair value through other comprehensive income	14	199,139	21,699
Net cash flow from investing activities		**(799,990)**	**377,290**
Principal elements of lease payments	29	(4,888)	(4,547)
Proceeds from borrowings	29	709,683	500,000
Proceeds from share issues		469,335	2,911
Transaction costs for equity issuance		(36,557)	0
Exercise of share-based payment program		271	0
Cash flow from financing activities		**1,137,844**	**498,364**
Net cash flow for the year		57,636	**(171,584)**
Cash and cash equivalents, beginning of the year		95,340	266,924
Cash and cash equivalents at end of the period		**152,976**	**95,340**

Content notes

Notes

Note 1

Summary of potentially material 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.

This note provides a list of the potentially material accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated in the following sections.

Basis of preparation

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

The annual report has been prepared under the historic cost convention, except for certain financial assets (listed bonds).

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

iXBRL-reporting

As required by the ESEF Regulation, Green Hydrogen Systems A/S' annual report is filed in the European Single Electronic Format (ESEF). The financial statements and notes are tagged using inline eXtensible Business Reporting Language (iXBRL). the Company's iXBRL tagging complies with the ESEF taxonomy included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created, except for extensions which are subtotals. The annual report submitted to the Danish Financial Supervisory Authority consists of a zip-file (984500COESDF-699DEC11-2023-12-31-en.zip) that includes an XHTML file, that can be opened in standard web browers.

Applying materiality

The annual report is based on the concept of materiality to ensure that the content is material and relevant to the readers. The financial statements consist of many transactions, which are aggregated into classes according to their nature or function, and presented in classes of similar items in the financial statements and in the notes as required by IFRS. If items are individually immaterial, they are aggregated with other items of a similar nature in the primary financial statements or in the notes. The disclosure requirements throughout IFRS are substantial. The specific disclosures required by IFRS are provided unless the information is considered immaterial to the economic decision-making of the readers of these financial statements.

New format for presentation of income statement

In connection with preparation of the financial statements for 2023, Managment has chosen to change the format for presenting the income statement. For the financial statements for 2023 and going forward expenses will be classified by their function. For previous reporting periods, the Company presented expenses on the basis by their nature. Management believes that a classification of expenses by function better reflects the Company's activities and is also in alignment with how the analysis of expenses is presented in the internal management reporting. Thus, it is Management's view that an income statement presenting the Company's expenses by function provides more reliable information. Comparative figures for 2022 have been reclassified accordingly. The change of format for classifying expenses did not have any impact on the result for the years presented. The expenses are classified by their function as follows:

Production costs

Production costs comprise the costs incurred to achieve revenue for the year. Costs consist of raw materials, consumables, direct labour costs, warranty costs, transportation costs and indirect costs such as salaries as well as depreciation of production facilities, equipment and relevant right-of-use assets. Furthermore, provisions for onerous customer contracts are included in production costs.

Reseach and development costs

Research and development costs primarily comprise employee costs, internal and external costs related to innovation and new technologies, direct and indirect costs related to rework due to design changes and upgrades, as well as impairment, amortisation and depreciation on capitalised development costs including related grants and subsidies.

Sales and distribution costs

Sales and distribution costs comprise costs incurred for the sale and distribution of products, etc. sold during the year. Also included are costs relating to employees and depreciation.

Administration costs

Administration costs comprise costs incurred during the year for management and administration of the Company and includes costs for administrative staff, management, IT, office premises, office costs, and depreciation.

New and amended standards and interpretations adopted by the Company

The Company has adopted all new and amended standards and interpretations that are effective as of 1 January 2023 as adopted by the EU. This includes among other:

- Definition of Accounting Estimates – amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12
- Disclosure of Accounting Policies – amendments to IAS 1 and IFRS Practice Statement 2.

None of the new or amended standards or interpretations have had a significant impact on the Company's financial statements for the current year and is not expected to have a material impact on future periods or on foreseeable future transactions.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Segment reporting

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

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

Revenue

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

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

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

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

Revenue from sale of electrolysers

The Company recognises revenue from sale of electrolysers at the point in time where the performance obligation is satisfied and the customer obtains control with the equipment. Depending on the contractual terms control is considered to have been transferred to the customer either when the factory acceptence test or the site acceptance test has been successfully completed. Subject to the terms of the individual contract, the Company has assessed that the customer has the ability to direct the use of and obtain substantially all the remaining benefits from the electrolyser at one of these points in time.

Customer payments for electrolysers are normally made in installments based on contractually defined milestones and payment terms. In most contracts the customer makes partial payments in advance. The last installment is normally invoiced either when the factory acceptance test or site acceptance test is succesfully completed subject to the terms of the individual contract. Payments received from customers prior to the Company satisfies its performance obligation are recognised as a contract liability in the balance sheet. See further description of contract liabilities.

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

Revenue from commissioning and maintenance service

Revenue generated from commissioning and after-sales maintenance services is recognised when the work is performed.

The amount of the transaction price allocated to commisioning is recognised overtime as the commissioning services are rendered. As the commissioning generally does not take a substantial period of time to complete, the related revenue is normally recognised on a straight-line basis.

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.

Customer payments for maintenance service are normally due in advance of the maintenance service period.

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.

Income tax

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

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

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

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

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

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

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

Intangible assets

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

In progress and completed development projects

Development costs that are directly attributable to the development of identifiable 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 3 - 5 years.

Property, plant and equipment

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

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

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

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

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

Leases

The Company's leases include properties machinery, furnitures and vehicles.

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

Contracts may contain both lease and non-lease components. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.
Assets and liabilities arising from a lease are initially measured on a present value basis. The Company's lease liabilities include the net present value of the following lease payments:

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

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

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

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

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

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

Impairment of non-current assets

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

Development projects in progress are tested for impairment annually.

Trade receivables

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

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

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

Financial assets at fair value through other comprehensive income

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

At initial recognition, these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, these financial assets are measured 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, amortisation of interests and foreign exchange gains and losses, which are recognised in profit or loss. Recognition of interests is based on an internal rate amortising the interest income until the time of maturity.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in Financial expenses/income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in financial items.

Inventories

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

Prepayments

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

Other receivables

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

Cash and cash equivalents

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

Equity

Share capital

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

Share premium

The reserve include premium on issue of shares.

Reserve for development costs

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

Reserve for financial assets at fair value through other comprehensive income

The Company also has certain debt investments measured at fair value through other comprehensive income, as explained in note 22. 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. Where the qualifying transaction costs relate to lisiting of existing and new shares, the part of the total transation costs deducted from equity are based on a ratio between management's expectations about the number of new shares compared to the number of existing shares.

Earning per share

Basic earnings per share is calculated by dividing:

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

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

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

Borrowings

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

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

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

Borrowing costs

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

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

Trade and other payables

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

Provisions

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

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

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

Contract liabilities

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

Share-based payments

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

The fair value of the warrants, restricted stock units and performance share units granted under equity settled programs are recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the grant date fair value of the warrants, restricted stock units and performance share units, respectively.

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

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

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

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

Government grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase or development of assets are included in liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Government grants are recognised in the income statement as a reduction to research and development costs.

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

Cash flow statement

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

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

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

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

Key Figures

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

New standards and interpretations not yet adopted

The IASB has issued certain new accounting standards, amendments to accounting standards and interpretations that are not mandatory for 31 December 2023 reporting periods and which have not been early adopted by the Company. None of these standards, amendments or interpretations are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Note 2

Critical accounting estimates and judgements

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

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

Critical accounting estimates

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

Unrecognised deferred tax asset

As of 31 December 2023, the Company has unrecognised deferred tax assets of DKK 204,294 thousand, hereof the tax value of tax losses carried forward amounts to DKK 227,177 thousand (tax loss carry-forward of DKK 1,032,623 thousand). The Company has incurred the losses in recent years as a consequence of expanding the Company and its operations. The losses can be carried forward indefinitely and have no expiration date.

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

Impairment of capitalized development costs

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

In the case of there being a trigger for a review of impairment of completed development projects, the Company performs a review on the carrying amounts to determine whether there is any indication of impairment at the balance sheet date.

As described in note 12, the GreenHyScale project at the GreenLab site in Skive has been suspended during 2023. The related prototype of the X-series has consequently been written down to its recoverable amount of DKK 5,000 thousand, as the design of the prototype will not be available for other commercial use. For 2023, an impairment loss of DKK 50,094 thousands has been recognised in the income statement. As the prototype is an early version of the X-series, Management has assessed that the suspension of the project has no impact on the development project concerning the commercial version of the X-series, which is proceeding as planned. For further information about the significant inputs to estimate of the recoverable amount of the related development project, reference is made to note 12. Other completed development projects are proceeding as expected, for which no impairment tests therefore 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. The market for electrolysers and green hydrogen continues to develop nationally, regionally and globally with new entrants to the Danish and European market announcing new green hydrogen projects and ambitious plans. The key drivers and indicators of momentum in the market for green hydrogen include continuous societal and political pressure to limit CO2 emissions, regulatory push in national hydrogen roadmaps as well as decreasing cost of green hydrogen. As of 31 December 2023, the carrying amount of development projects in progress is DKK 135,104 thousand (2022: DKK 154,676 thousand). During the year delivery and customer acceptance of A-Series electrolysers have taken place. The Company experiences an increasing order backlog and the production ramp-up is progressing as expected. Therefore, the technical feasibility has been demonstrated, and the practical ability to sell and a market for the products exist. The recoverable amount is tested for impairment in the form of comparison of the equity and the market value of the Company.

Valuation of inventories and onerous contracts

As of 31 December 2023, the write-down of inventory to net realizable value amounts to DKK 48,177 thousand in total (2022: DKK 36,993 thousands). A larger part of this write-down has been recognised due to expected negative margins on electrolysers under construction and late delivery rebates related to some of these electrolysers. As these onerous contracts relates to units under construction dedicated to fulfill specific customer contracts, a write-down directly of the related inventories was recognised. Assumptions and estimates relating to a write-down of inventory are based on Management's expectations about cost of materials and labour in determining the costs to complete the construction and timing of the delivery of these units. Management has accordingly revised its estimate during 2023, whereby the write-down of inventories has been increased by DKK 10,000 thousands. Thus, as of 31 December 2023 the write-down in inventories related to onerous contracts amounts to DKK 34,177 thousands (2022: DKK 26,493 thousands).

On 31 December 2023, Management has in addition recognised a provision related to onerous customer contracts of DKK 52,570 thousand where the unavoidable costs of fulfilling the obligations under the contract exceed the contract amount. The separate provision is recognised in excess of any write-down made on dedicated electrolysers included in inventory as described above. When determining whether a contract is loss-making, the Company includes costs that are incremental such as costs for material and labour as well as an allocation of costs directly related to contract activities.

Critical accounting judgements

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

Revenue recognition

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

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

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

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

Development costs

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

Note 3

Operating segments

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

The Executive Management is the Chief Operating Decision Maker (CODM), which is made up of the senior leadership across the respective functional areas and is responsible for the strategic decision making and 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.

Note 3

Operating segments (continued)

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

DKK '000	2023	2022
Denmark	0	368
Sweden	0	2,249
Norway	6,942	7,289
Chile	6,685	0
Schwitzerland	4,678	0
United Kingdom	24,928	236
France	(2,792)	280
Other	1,538	0
Total revenue	**41,979**	**10,422**

Revenue of DKK 6,942, 6,685, 4,678 and 24,928 thousand, respectively, are derived from four external customers in 2023. Revenue of DKK 2,249 and 7,289 thousands, respectively, are derived from two external customers in 2022.

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

Note 4

Revenue from contracts with customers

The following table displays revenue by product offering:

DKK '000	2023	2022
Product revenue	40,206	9,711
Service and other revenue	1,773	711
Total revenue by product offering	**41,979**	**10,422**
Revenue recognised at a point in time	40,206	9,711
Revenue recognised over time	1,773	711
	41,979	**10,422**

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

Note 5

Employee costs

DKK '000	2023	2022
Wages and salaries	207,046	160,927
Pensions, defined contribution plans	25,808	19,965
Share-based payment	(1,216)	2,390
Other social security costs	3,317	2,363
Other employee costs	830	3,668
	235,785	**189,313**
Of which capitalized to development project or allocated to inventory	(96.900)	(75.259)
Total employee costs in income statement	**138.885**	**114.054**
Average number of employees	298	242
The amounts are included in the items:		
Production costs	50,730	41,265
Research and development costs	12,124	11,641
Sales and distribution costs	25,109	19,840
Administration costs	50,923	41,308
	138,885	**114,054**

Note 5

Employee costs (continued)

Key management compensation

Key management consists of Executive Management and Board of Directors. The compensation paid or payable to key management for employee services is shown below:

DKK '000	Executive Management	Board of Directors	Total key management personnel
2023			
Wages, salaries and board fees	10,112	4,657	14,769
Pensions, defined contribution plans	789	0	789
Share-based payment	0	0	0
Total remuneration	**10,901**	**4,657**	**15,558**
2022			
Wages, salaries and board fees	8,285	4,182	12,467
Pensions, defined contribution plans	652	0	652
Share-based payment	3,806	0	3,806
Total remuneration	**12,743**	**4,182**	**16,925**

Note 6

Depreciation and amortisation

DKK '000	2023	2022
Amortisation of intangible assets	50,725	13,523
Depreciation on property, plant and equipment	23,255	14,761
Impairment of prototype	50,094	0
Depreciation on right of use assets	5,039	5,509
	129,113	**33,793**
Amortisations on intangible assets are included in the items		
Production costs	26	26
Research and development costs	47,814	11,168
Administration costs	2,885	2,329
Total depreciation and amortisation	**50,725**	**13,523**

Note 7

Share-based payment plans

The Company operates various share-based incentive programs comprising of:

- Performance Share Units program (PSU)
- Restricted Stock Units program (RSU)
- Warrant program

Performance Share Units program

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

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

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

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

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

Number of PSU (thousands)	2023	2022
Outstanding at 1 January	97	0
Granted during the period	190	111
Forfeited during the periode	(61)	(15)
Outstanding at 31 December	**226**	**97**
Weighted average fair value of PSUs granted in the year (DKK per PSU)	31,74	27,71
Weighted average remaining contractual life of the PSUs outstanding at end of period	2 years	2.3 years

Note 7

Share-based payment plans (continued)

The fair value of the PSU corresponds to the grant date fair value of the Company's ordinary share, as no divided is expected to be distributed during the vesting period. In aggregate 35,870 of the PSUs granted in 2023 (2022: 24,811) were to a member of the Executive Management. In accordance with the requirements in IFRS 2 Share-based Payment, Management revises on an on-going basis its estimate of the number of PSUs expected to vest. As Management does not cosider it likely that the non-market based performance targets for the 2022 or the 2023 grants will be met, no share-based payment expense should be recognised for the 2022 or the 2023 PSU grants. Consequently, all associ-ated expenses previously recongised have been reversed during 2023.

Restricted Stock Units program
In 2021, a Restricted Stocks Unit prgram (RSU) was introduced to the CEO. The program entitled the CEO to receive shares in the Company sub-ject to defined exit-conditions. The program was contingent on the CEO still being employed at the time of exit.

The grant date fair value of the RSU program was DKK 7,395 thousand which were to be expensed over the expected service period. The RSU pro-gram has been settled during 2023, which partly was offered to be settled in cash. Consequently, it was reclassified from being equity-settled to be cash-settled for which a liability of DKK 10,943 thousand were recognised with a corresponding entry to equity. Until the program was actually settled, the liability was remeasured at fair value giving rise to an adjustment of DKK 1,656 thousands which was recognised as administrative costs.

For the part of the RSU program that was equity settled 271,329 new shares were issued. Further information about the share issue is provided in note 20.

Warrant program
In 2020, the Company established a warrant program to members of the Board of Directors, Executive Management and selected key employees. Upon expiration of the lock-up period in June 2022 the Company made a one-time offer to settle part of the warrants in cash. In that connection the related warrants were reclassified from being equity-settled to be cash-settled for which a liability of DKK 11,073 was set up through equity reflecting its fair value.

Until the program was finaly settled the liability was remeasured at fair value through the income statement.

Note 7

Share-based payment plans (continued)

Total expenses arising from share-based payment transactions
Total share-based payment expense recognised in the income statement for the period were:

DKK '000	2023	2022
Equity-settled programs		
RSU program	1,565	3,547
PSU-program	(1,125)	1,125
Total expense for equity-settled programs	**440**	**4,672**
Cash-settled programs		
Warrant Program	0	(2,282)
RSU program	(1,656)	0
Total expense for cash-settled programs	**(1,656)**	**(2,282)**
Total share-based payment expense	(1.216)	2.390

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

DKK '000	2023	2022
The amount for equity-settled share-based payment programs recognised in equity relates to:		
Total share-based payment expense for equity-settled programs	(440)	(4,672)
Reclassifying RSU program to be cash-settled	10,943	
Reclassifying warrant program to be cash-settled		11,073
Total amount recognised in equity	**10,503**	**6,401**

Note 8

Government grants

Recognition of grants are recognised in the income statement within research and development as follows:

DKK '000	2023	2022
Government grants related to income	247	1,985
Government grants related to assets, impaired	44,165	1,345
Total	**44,412**	**3,330**

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	2023	2022
Government grants at beginning of period	33,297	31,614
Grants received	28,541	5,013
Grants recognised in the income statement	(44,412)	(3,330)
Government grants as of 31 December	**17,426**	**33,297**

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, impaired and amortized
Government grants related to assets, impaired are grants related to eligible costs that are capitalized as development projects. The X-serie prototype are impaired to scrap value. Recognition in the income statement is linear over the amortization period of the corresponding assets. There are typically no unfulfilled conditions or other contingencies attached to these grants.

DKK '000	2023	2022
Government grants receivable recognised in other operating income, and presented within other receivables in the balance sheet	3,280	0

Note 9

Financial income

DKK '000	2023	2022
Interest income	36,911	83
Foreign exchange rate gains	207	206
Total	**37,119**	**289**

Note 10

Financial expenses

DKK '000	2023	2022
Interest expense on borrowings	(48,381)	(2,954)
Interest expense on lease liabilities	(598)	(443)
Other financial costs	(2,967)	(1,462)
Interest on financial liabilities measured at amortised cost	**(51,946)**	**(4,859)**
Foreign exchange rate losses	(292)	(278)
Other financial expenses	**(292)**	**(278)**
Total	**(52,238)**	**(5,137)**

Note 11

Tax on profit for the period

DKK '000	2023	2022
Current tax on profits for the period	5,500	5,500
Deferred tax	0	0
	5,500	**5,500**
Reconciliation of effective tax rate		
Calculated 22.0% tax on loss for the period before income tax	(89,363)	(63,319)
Calculated 22.0% tax on loss for Other comprehensive income for the year	752	(5,276)
Tax effects of:		
Permanent differences between tax and accounting purposes:		
Other	(4,293)	(10,673)
Change in unrecognized deferred tax asset	**87,403**	**73,768**
	83,110	63,095
Income tax as included in the statement of profit or loss	(5,500)	(5,500)
Effective tax rate	**1%**	**2%**

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

Note 12

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 Research and development costs. In 2023, this amounted to DKK 69,714 thousand (2022: DKK 45,024 thousand).

Development projects in progress includes the Company's ongoing development activities related to electrolysers and electrodes. 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 2023. DKK 49,546 thousand relate to the development of the A-Series electrolysers and DKK 43,404 thousand related to the development of the commercial version X-series electrolysers.

During the year, development projects that have been completed and transferred amounts to DKK 153,398 (2022: DKK 0 thousands). As of 31 December 2023, the carrying amount of completed development projects amounts to DKK 120,534 thousands (2022: DKK 14,055 thousands), and the weighted average of the remaining useful life is 3 years. Development projects that have been completed during the year included development of a prototype used in the GreenHyScale project being part of the GreenLab site in Skive which is part of a larger project supported by EU subsidies. In 2023, it was decided to suspend the subsidies to the GreenHyScale project. Even though, the prototype could be used by the Company in further testing of the X-series, the prototype will not be available for commercial use. Consequently, the prototype has been written down to its recoverable amount of DKK 5,000 thousand, which was determined by reference to its fair value less costs of disposal. The main valuation inputs used were the estimated re-useable value of the individual stacks and dismantling costs. Since the valuation includes significant unobservable inputs, the fair value is classified in level 3 fair value.

DKK '000	Completed development projects	Other intangibles	Development projects in progress	Total
Cost:				
At 1 January 2022	31,419	5,423	30,843	67,685
Additions during the year	0	4,740	123,833	128,573
At 31 December 2022	**31,419**	**10,163**	**154,676**	**196,258**
Accumulated amortisation and impairment:				
At 1 January 2022	(6,891)	(1,881)	0	(8,772)
Amortisation for the year	(10,473)	(3,050)	0	(13,523)
At 31 December 2022	**(17,364)**	**(4,931)**	**0**	**(22,295)**
Carrying amount 31 December 2022	**14,055**	**5,232**	**154,676**	**173,963**
Cost:				
At 1 January 2023	31,419	10,163	154,676	196,258
Additions during the year	0	4,471	153,227	157,698
Transferred	153,398		(172,798)	(19,400)
At 31 December 2023	**184,817**	**14,634**	**135,105**	**334,556**
Accumulated amortisation and impairment:				
At 1 January 2023	(17,364)	(4,931)	0	(22,295)
Amortisation for the year	(46,919)	(3,805)		(50,724)
At 31 December 2023	**(64,283)**	**(8,736)**	**0**	**(73,019)**
Carrying amount 31 December 2023	**120,534**	**5,898**	**135,105**	**261,535**

Note 13

Property, plant and equipment

DKK '000	Plant and machinery	Other fixtures and fittings, tools and equipment	Buildings	Real estate and similar rights	Assets under construction	Total
Cost:						
At 1 January 2022	15,501	15,322	89,002	11,550	35,284	166,658
Additions during the year	1,446	23,936	7,061	3,631	131,630	167,705
Disposals during the year	(139)	492	(10)	0	0	343
At 31 December 2022	**16,808**	**39,750**	**96,053**	**15,181**	**166,914**	**334,706**
Accumulated amortisation and impairment:						
At 1 January 2022	(1,983)	(2,370)	(1,008)	0	0	(5,361)
Depreciation for the year	(4,690)	(7,601)	(3,125)	0	0	(15,416)
Disposals during the year	139	(492)	(10)	0	0	(343)
At 31 December 2022	**(6,534)**	**(10,463)**	**(4,123)**	**0**	**0**	**(21,120)**
Carrying amount 31 December 2022	**10,274**	**29,287**	**91,930**	**15,181**	**166,914**	**313,586**
Cost:						
At 1 January 2023	16,808	39,750	96,053	15,181	166,914	334,706
Additions during the year	40,702	16,322	1,030	0	63,871	121,924
Transferred	19,400	-	186,256	0	(186,256)	19,400
At 31 December 2023	**76,910**	**56,072**	**283,339**	**15,181**	**44,529**	**476,031**
Accumulated depreciation and impairment:						
At 1 January 2023	(6,534)	(10,463)	(4,123)	0	0	(21,120)
Depreciation for the year	(6,020)	(12,607)	(5,121)	0	0	(23,748)
Impairment for the year	(50,094)	0	0	0	0	(50,094)
At 31 December 2023	**(62,648)**	**(23,070)**	**(9,244)**	**0**	**0**	**(94,961)**
Carrying amount 31 December 2023	**14,262**	**33,002**	**274,095**	**15,181**	**44,529**	**381,069**

Note 14

Financial assets at fair value through other comprehensive income

DKK '000	31 December 2023	31 December 2022
Cost at January 1	776,133	694,465
Additions for the year	719,998	103,367
Disposals for the year	(199,139)	(21,699)
Cost at December 31	**1,296,992**	**776,133**
Accrued interest January 1	(4,939)	(800)
Accrued for the year	6,844	(4,139)
Accrued interest	**1,905**	**(4,939)**
Fair value adjustment at January 1	(26,152)	(2,171)
Fair value adjustment for the year	3,420	(23,981)
Fair value adjustment at December 31	**(22,732)**	**(26,152)**
Net book value at December 31	**1,276,166**	**745,042**
Financial assets at fair value through other comprehensive income		
Non-current assets	929,267	561,443
Current assets	346,900	182,600
	1,276,166	**744,042**

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 2023	31 December 2022
Listed bonds		
Gains / losses recognised in other comprehensive income	3,420	(23,981)
Interest expence from investments held at fair value through other comprehensive income recognised in the income statement	(2,423)	(1,290)
	997	(25,271)

Note 15

Deferred tax

As of 31 December 2023, the Company has a deferred tax asset of DKK 204,294 thousand (2022: DKK 116,891 thousand) which has not been recognised in the balance sheet. The deferred tax asset include tax losses to be carried forward of DKK 1,032,623 thousand (2022: DKK 622,583 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 2023	31 December 2022
Deferred tax relates to:		
Intangible assets	(37,574)	(37,208)
Deferred income	3,834	7,325
Inventories	10,819	8,043
Right of use assets	(2,618)	(1,732)
Lease liabilities	2,678	1,845
Tax losses carried forward	227,177	140,170
Other	(22)	(1,552)
	204,294	116,891
Deferred tax asset not recognized in the balance sheet	204,294	116,891
Deferred tax asset	**0**	**0**

Note 16

Leases

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

The property leases are in general of a short-term nature.

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

The Company has recognised the following amounts relating to leases:

DKK '000	31 December 2023	31 December 2022
Right-of-use assets		
Properties	4,615	2,071
Vehicles	4,845	4,065
Machinery and furniture	2,437	1,739
Total	**11,898**	**7,875**
Lease liabilities		
Current	4,863	3,440
Non-current	7,310	4,560
Total	**12,174**	**8,000**
Additions to the right-of-use assets were	13,894	5,492
Disposals to the right-of-use assets were	4,832	1,105

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

DKK '000	2023	2022
Depreciation charge of right-of-use assets		
Properties	(1,764)	(4,733)
Vehicles	(2,586)	(2,500)
Machinery and furniture	(689)	(471)
	(5,039)	**(7,705)**
Interest expense (included in finance expenses)	598	443
Expense relating to short-term leases (included in Administration costs etc.)	2,342	932
The total cash outflow for leases	7,827	5,922

A matirity analysis of lease payments has been inlcuded in note 22.

The total future undiscounted cash outflows relating to leases that have not yet commenced amount to DKK 352 thousand (2022: DKK 3,302 thousands), which falls due as follows:

	Less than 1 year		Between 1 and 5 year		More than 5 years		Total	
DKK '000	2023	2022	2023	2022	2023	2022	2023	2022
	0	622	352	2,680	0	0	352	3,302

Note 17

Inventory

DKK '000	31 December 2023	31 December 2022
Inventory		
Raw materials	114,186	115,022
Work in progress	91,613	54,982
Total	**205,799**	**170,004**

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

Inventories recognised as an expense during the year ended 31 December 2023 amounted to DKK 68,868 thousands (2022: DKK 99,556 thousands). These were included in "Production costs".

Write-downs of inventories to net realisable value amounted to DKK 48,177 thousands (2022: DKK 36,993 thousands). These were recognised as an expense during the period and included in "Production costs". The amount for 2023 includes write-downs of inventory items that are dedicated to fulfill customer contracts of DKK 34,117 (2022: DKK 26,493 thousands). Further information is provided in note 2.

Note 18

Trade receivables

DKK '000	31 December 2023	31 December 2022	1 January 2022
Trade receivables at 31 December	51,876	10,861	3,681

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.

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

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

Note 19

Contract balances

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

DKK '000	31 December 2023	31 December 2022	1 December 2022
Trade receivables	51,876	10,861	3,681
Contract liabilities	102,314	41,428	27,576

As described above in note 18, the Company receives milestone payments from the customers before delivery of electrolysers. Milestone payments received are recognised as contract liabilities until revenue is recognised.

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

The contract balances primarily relates to delivery of electrolysers, where prepayments have been received from the customers but where control has not yet been transferred to the customer. DKK 11,500 thousand of the opening balance of contract liabilities in 2023 have been recognised during the year (2022: 2,485)

The aggregate amount of the transaction price allocated to delivery of electrolysers, commissioning of the equipment and service agreement is DKK 152 million (2022: DKK 134 million).

Management expects that 80-90% of the transaction price allocated to remaining performance obligations as of 31 December 2023 will be recognised as revenue during the next reporting period (2024). The remaining 10-20% will be recognised in the financial year of 2025 to 2029. 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 2023 had a duration of one year or less the aggregate amount of transaction price allocated to performance obligations that were unsatisfied as of the end of the reporting period, has not been disclosed in accordance with the practical expedient in IFRS 15.

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

Note 20

Share capital

DKK '000	31 December 2023		31 December 2022	
	Number of shares	Nominal value (DKK)	Number of shares	Nominal value (DKK)
The share capital comprise:				
A-shares	187,734	187,734	83,166	83,166
Share capital (fully paid)	**187,734**	**187,734**	**83,166**	**83,166**

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

DKK '000	A-Shares 31 December 2023	A-Shares 31 December 2022
	Number of shares	Number of shares
Changes in share capital		
Opening balance	83,166	81,987
Capital increase, cash	104,297	0
Exercise of warrants	271	1,179
Total	**187,734**	**83,166**

No dividends have been declared or paid out for 2023 or 2022.

In connection with the capital increase in 2023, the Company incurred transaction cost for advisory, fees to investment bankers etc. amounting to DKK 37 million which were deducted to equity.

Information about exercise of warrants is provided in note 7.

Note 21

Borrowings

The Company's borrowings consist of the following:

DKK '000	31 December 2023	31 December 2022
Secured borrowings (repo)	830,000	500,000
Term loan facilities	265,391	0
Mortgage loans	114,292	0
Total borrowings	**1,209,683**	**500,000**
Current	834,264	500,000
Non-current	375,419	0
Total borrowings	**1,209,683**	**500,000**

Securred borrowings (repo)
DKK 830 million (2022: DKK 500 million) are related to the repurchase agreement (repo) the Company entered into during 2021 involving its holdings of listed bonds.

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

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

At 31 December 2022, the carrying amount of the listed bonds transferred under the repo amounts to DKK 830 million (2022: DKK 500).

Term loan facilities
In June 2023, the Company further entered into two term loan facilities with existing share-holders with a total principal amount of DKK 250 million. The disbursement of the term loans were conditional on the Company accepting subscription applications for new shares in the offering to raise gross proceeds of DKK 250 million or more. The loans contain various customary provisions and financial covenants. The loans carry a fixed interest rate of 15% and are due for full repayment on 30 June 2026, however with an early prepayment option. The early prepayment option is at a premium, a prepayment fee equivalent to the interest rate, within the first 24 months. Information about the pledges and securities provided are described in note 27.

Mortage loans
In March 2023, the Company entered into a mortgage credit financing agreement with Nykredit Realkredit A/S providing for a DKK 119 million mortgage financing of the Company's domicile building located at Nordager 21, 6000 Kolding. At 31 December 2023, the loans amount to DKK 116 million (2022: DKK 0 million). The loans are denominated in DKK and carry both a variable and fixed interest rate. The loans have a term of 20 years and are to be repaid in quarterly instalments.

	Interest rate	Maturity	31 December 2023 DKK '000	31 December 2022 DKK '000
Mortgage loan with a 5 year fixed interest	5.74% - 5.78%	2042	86,974	0
Mortgage loan with variable interest	Cibor 3 + 1.55%	2043	28,927	0
Total mortgage loans			**115,901**	**0**

Information about the pledges and securities provided are described in note 27.

Note 22

Financial risk management

Financial risk factors

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

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

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

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

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

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

Market risk

Interest rate risk

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

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

The bonds 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 31 December 2023, the portfolio has an average effective duration of approximately 1.3 years (2022: 1.2 years) and no securities have an effective duration of more than 3 years (2022: 3 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 1.9% (2022: 2.5%). Due to the short-term nature of the current investments, we consider our current exposure to changes in fair value due to interest rate changes to be insigificant compared to the fair value of the portfolio.

DKK '000	2023	2022
Years of maturity		
2023	0	184,656
2024	346,900	356,667
2025	612,683	95,500
2026	316,583	112,689
Total	**1,276,166**	**749,511**

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

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

DKK '000	Impact on post tax profit	Impact on equity
2023		
Interest rate - increase of 100 basis points	10,740	6,047
Interest rate - decrease of 100 basis points	(10,740)	(6,297)
2022		
Interest rate - increase of 100 basis points	5,613	(2,332)
Interest rate - decrease of 100 basis points	(5,613)	2,544

Note 22

Financial risk management (continued)

The sensitivity analysis is based on the assumption that all other variables and exposures remains constant. The impact on post tax profit is based on those financial instruments that were recognised at the respective balance sheet dates. The sensitivity analysis does not consider impact from repayments and other changes in borrowings made during the year. Part of the financial assets are floting interest bonds and a change in interest rate is expected to only have an insignificant impact on fair value. Instead the interest payments will change by approximately DKK 9,500 thousand and impact on profit or loss.

The applied changes are considered being reasonable possible compared to the current market conditions.

Foreign currency risk

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

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

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

Credit risk

Credit risk arises primarily from the Company's cash position, investment in listed bonds as well as credit exposures from outstanding receivables from customers.

The Company's exposure and policy for managing credit risk from trade receivables has been described in note 18.

The Company has a significant counterparty risk related to deposit with banks, as the Company's cash balance at 31 December 2023 amounts to DKK 152,976 thousand (2022: DKK 95,340 thousand). To mitigate this risk, the Company only enters into money market deposits with financial counterparties possessing a satisfactory long-term credit rating from an internationally recognized agency (credit rating of minimum A-). Furthermore, maximum credit lines defined for each counterparty diversify the overall counterparty risk.

In addition, the Company is exposed to credit risk from its investment in listed bonds, which including interest receivables amounts to DKK 1,276,166 thousand as at 31 December 2023 (2022: DKK 749,511 thousand). To manage and reduce credit risks on bonds, the Company's policy is to ensure only securities from investment grade issuers are eligible for our portfolios. No issuer of bonds can be accepted if it is not assumed that the credit quality of the issuer would be equal to a AAA-rating.

The carrying amounts represent the maximum credit exposure.

Liquidity risk

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

The Company's policy is to secure adequate liquidity to always meet the planned future financial and operational payment obligations for a minimum of 12 months. The Company has a liquidity position of DKK 152,976 thousand (2022: DKK 95,340 thousand). The Company monitors the liquidity risk through follow up against budgets. In addition, the Company has placed excess cash of DKK 1,276,166 thousand in listed bonds, which are considered being part of its capital resources. It is the Company's intention to hold the bonds until maturity, but they are however available for sale if necessary. In addition to increase the flexibility of the Company's capital resources the Company has entered into a repurchase agreement (repo), which covers all of the Company's listed bonds.

The Company has further ensured financing from obtaining a mortgage loan as well as entering into term loan facilities during 2023.

Credit facilities, mortgage loan and term loans are restricted by a covenant requiring the Company to maintain cash and cash equivalents, including net position of the repo arrangement, at a certain level. Compliance with the covenant is part of monitoring the liquidity risk on an ongoing basis as well as part of the budgeting procedure.

In relation to day-to-day working capital to purchase materials and components for manufacturing ordered electrolysers, the Company expects the development herein to reflect the increased commercial activity, however including expected prepayments from customers working capital is expected to have a positive effect on liquidity towards 2026. As such, expected prepayments are an important part of financing the business plan. A significant share of prepayments will expectedly be used to deposit with banks to secure counter guarantees to the customers offsetting some of the positive liquidity impact. On this basis Management expects that sufficient cash will be generated to settle the financial liabilities as they fall due.

Note 22

Financial risk management (continued)

Maturity analysis

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

DKK '000	Less than 1 year	Between 1 and 5 year	More than 5 years	Total
As at 31 December 2023				
Non-derivatives				
Borrowings, current and non-current	834,264	404.091	127,858	1,366,213
Trade payables	47,405	0	0	47,405
Lease liabilities	4,863	7,310	0	12,174
	886,533	**411,401**	**127,858**	**1,425,791**
Derivatives				
Exit-payment	3,000	0	0	3,000
	3,000	**0**	**0**	**3,000**
As at 31 December 2022				
Non-derivatives				
Borrowings, current and non-current	500,000	0	0	500,000
Trade payables	65,127	0	0	65,127
Lease liabilities	3,440	4,560	0	8,000
	568,566	**4,560**	**0**	**573,126**
Derivatives				
Exit-payment	3,000		0	3,000
Total derivatives	**3,000**	**0**	**0**	**3,000**

The exit-payment derivative was included in other payables in the balance sheet as of 31 December 2023 and 2022.

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.
- Interst paymets on borrowings with variable interest rates are based on current interest rates.
- The exit-payment derivatives are presented with their maximum amount payable and within the time-band the potential payments could earliest possibly occur.
- Payments for lease liabilities includes only lease agreements which have commenced before the end of the reporting period.

Note 22

Financial risk management (continued)

DKK '000	31 December 2023	31 December 2022
Financial assets and liabilities per measurement category		
Financial assets		
Finacial assets at fair value through other comprehensive income		
Listed bonds	1,276,166	745,042
	1,276,166	**745,042**
Financial assets at amortised cost:		
Trade receivables	51,876	10,861
Cash and cash equivalents	152,976	95,340
Total	**204,852**	**106,202**
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Exit-payment derivative	3,000	3,000
Total	**3,000**	**3,000**
Financial liabilities at amortised cost:		
Trade payables	47,405	65,127
Borrowings, current	834,264	500,000
Borrowings, non-current	375,419	0
Lease liabilities, current and non-current	12,174	8,000
Total	**1,269,262**	**573,127**

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 2023	31 December 2022
Recurring fair value measurements		
Financial assets at fair value through other comprehensive income:		
Listed bonds	1,276,166	745,042
Total financial assets - level 1	**1,276,166**	**745,042**
Financial liabilities measured at fair value		
Exit-payment derivatives	3,000	3,000
Total financial liabilities - level 3	**3,000**	**3,000**

For financial assets and liabilities of short-term nature, such as trade receivables and trade payables, the carrying amount approximates their fair value. For borrowings carrying a floating intrest rate, which amounts of DKK 28,927 thousands as of 31 December 2023 (2022: DKK 0 thousands) the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is close to current market rates.

At 31 December 2023, the fair value of mortgage loans with a 5 year fixed interest rate amounts to DKK 89,450 thousand (2022: DKK 0) compared to its carrying amount of DKK 86,973 thousand. It is classified as level 2 in the fair value hierarchy as the fair value is based on quoted prices of the underlying bonds.

For term loan facilities the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is close to current level. It is classified as level 3 in the fair value hierarchy as the fair value is based on unobservable inputs in the term loan agreements reflecting assumptions a market participant would use.

Note 23

Earnings per share

DKK '000	2023	2022
Net loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**(406,196)**	**(282,316)**
Basic earnings per share:		
Issued ordinary shares at 1 January	83,166	81,987
Effect of shares issued, weighted-average	72,871	42,873
Weighted-average number of ordinary shares used as the denominator in calculating basic earnings per share	156,037	124,860
Basic earnings per share for loss attributable to the ordinary equity holders of the Company	**(2,60)**	**(2,26)**
Diluted earnings per share for loss attributable to the equity holders of the Company	**(2,60)**	**(2,26)**

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

Note 24

Provisions

DKK '000	Onerous contracts	Warranty	Total
Carrying amount 1 January 2023	**10,476**	**4,468**	**14,944**
Additional provisions recognised	52,570	4,359	56,930
Amounts used during the year	(10,476)	(4,468)	(14,944)
Carrying amount 31 December 2023	**52,570**	**4,359**	**56,930**
The Company's provisions are presented as follows in the balance sheet:			
Non-current liabilities		0	0
Current liabilities	52,570	4,359	56,930
Total	**52,570**	**4,359**	**56,930**

At 31 December 2023, the Company has recognised a provision for onerous contracts of DKK 52,570 thousands (2022: DKK 10,476 thousands) related to fulfilment of ongoing customer contracts. The amount reflects the unavoidable costs of meeting the Company's obligations under the contract exceeding the economic benefits to be received under it and which are not included in the write-down of dedicated inventory, cf. note 18.

Provision is made for estimated warranty claims in respect of 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.

Note 25

Capital management

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

Further, as part of capital management the covenant related to credit facilities and loans is monitored and evaluated against budgets to ensure compliance hereof.

The Company has grown significantly during 2023. 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 but note that the compliance with the minimum cash covenant in late 2024 is associated with uncertainty. The Company does not expect to make dividend payments within the foreseeable future. The Company does not enter into any speculative transactions.

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Note 26

Commitments and contingent liabilities

Guarantees
The Company has provided payment guarantees of DKK 7 millions to one supplier in relation to the expansion of its current facilities in Kolding, Denmark. The listed bonds of 7 millions related to the guarantees are restricted. Futhermore the company has provided a payment guarantee of 30 million DKK to one of its business associates.

Contingent liabilities
None

Commitments

DKK '000	31 December 2023	31 December 2022
Property, plant and equipment	**0**	**16,000**

Note 27

Assets pledged as security

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

DKK '000	31 December 2023	31 December 2022
Non-current		
Property, plant and equipment	381,069	0
Financial assets at fair value through other comprehensive income	729,168	317,400
Total non-current assets pledged as security	**1,110,237**	**317,400**
Current		
Financial assets at fair value through other comprehensive income	100,832	182,600
Inventories	205,799	0
Trade receivables	51,876	0
Total current assets pledged as security	**358,507**	**182,600**
Total assets pledged as security	**1,468,744**	**500,000**

Assets pledged as security relate to the borrowings in the repo, mortage loan and term loan facilities. The mortage loan is secured by DKK 119 million first priority mortage. The term loan facilities are secured by way of a DKK 120 million floating charge over certain of the Company's assets as well as DKK 130 million second priority mortage.

Note 28

Fee to auditors appointed at the general meeting

DKK '000	2023	2022
PwC		
Audit fee	1,023	1,175
Tax and VAT services	52	147
Audit-related services	1,710	0
Other services	245	260
Total	**3,029**	**1,582**

The fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab amounted to DKK 296 thousand in 2023 (2022: DKK 407 thousand), mainly relating to sustainability related services and minor tax advisory services.

Note 29

Changes in liabilities arising from financing activities

			Non-cash changes		
DKK '000	1 January 2023	Cash flows	New leases	Changes in fair value	31 December 2023
Borrowings, current and non-current	**500,000**	709,683	0	0	**1,209,683**
Lease liabilities	**8,000**	(4,888)	9,062	0	**12,174**
Exit-payment derivative	**3,000**	0	0	0	**3,000**
Total liabilities from financing activities	**511,000**	**704,795**	**9,062**	**0**	**1,224,857**

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

Note 30

Related parties

The Company do not have any parties with controlling interest end of 2023.

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

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

The following transactions were carried through with related parties:

DKK '000	2023	2022
Transactions with entities with significant influence		
Exercise of Pre-emptive Rights	60,000	0

Note 31

Events after the balance sheet date

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

Note 32

Cash flow specifications

DKK '000	2023	2022
Changes to net working capital		
Decrease/(increase) in trade receivables	(41,014)	(7,181)
Decrease/(increase) in deposits	256	(381)
Decrease/(increase) in inventories	(53,479)	(114,104)
Decrease/(increase) in other assets	2,064	6,801
Decrease/(increase) in prepayments	6,288	(8,698)
Decrease/(increase) in trade payables	(17,722)	22,277
Decrease/(increase) in other liabilities	(2,737)	16,207
Decrease/(increase) in contract liabilities	60,886	13,852
Total	**(45,458)**	**(71,226)**
Adjustments		
Income tax	(5,500)	(5,500)
Amortization of intangible assets	50,724	13,523
Depreciations & impairment of tangible assets and right-of-use assets	78,388	20,269
Share-based payment	(1,216)	2,390
Finance expenses, net	15,119	4,849
Other	47,176	29,352
Total	**184,691**	**64,884**

Definition of terms

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

Financial key ratios

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

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

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

Other non-IFRS performance measures

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

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

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

Gross profit margin: Gross profit in percent of revenue

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

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

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

Intangible CAPEX: Costs for development activities.

Tangible CAPEX: Payments for property, plants and equipment.

CAPEX: Investments in Intangible and Tangible CAPEX.

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

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

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

Headcount: Numerical number of employees of the Company.

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