

Interim report for H1 2023



GREEN
HYDROGEN
SYSTEMS

Interim report

H1 2023

Business highlights

- In the first half of 2023, two A-Series customer orders were revenue recognised, totalling DKK 14 million in revenue
- Since Q1 2023, delivered electrolysers have been site acceptance tested and are commissioned for commercial production of green hydrogen at customer sites in Chile, Norway and Denmark
- In H1 2023, two orders from international customers of 7.2MW and 0.9MW were signed with targeted delivery end of 2023 and beginning of 2024
- The X-Series prototype has been installed at GreenLab in Skive, Denmark. Commissioning progressing well, with several component and system tests already done towards targeted commercial launch in Q4 2023
- During the first half of 2023, the expansion to a 400 MW electrolyser manufacturing facility in Kolding was finalised on budget and ahead of schedule. Currently, the expanded facilities of around 18,000 m² in total are undergoing commissioning and ramp-up
- In June 2023, Green Hydrogen Systems announced the initiation of a rights issue comprising up to 104 million new shares. By July 2023, the rights issue was completed and fully subscribed providing gross proceeds of DKK 469 million to the Company
- In addition to the capital raise, Green Hydrogen Systems has drawn on term loans from two major share-holders with a total principal amount of DKK 250 million
- Medium-term targets announced with targeted revenue of more than DKK 1,200 million and positive EBITDA in 2026

Guidance for 2023

Green Hydrogen Systems maintains guidance for 2023 as follows:

Revenue (DKK)	EBITDA (DKK)	CAPEX (DKK)
120 to 160 million	-280 to -240 million	270 to 300 million

The revenue guidance range reflects the uncertainty of the exact timing of the electrolysers fulfilling revenue recognition criteria within the 2023 calendar year. Assembly, test and delivery of the A-Series electrolysers can be impacted by supply chain and quality challenges as described in section “*Delivery and revenue recognition of A-Series electrolysers*” which may postpone delivery of orders expected as part of the revenue assumptions for 2023.

Furthermore, the guidance for 2023 may be negatively impacted by e.g., other supply chain disruptions, increasing component and raw material costs, general inflation, delays in product assembly etc.



Sebastian Koks Andreassen, CEO of Green Hydrogen Systems comments:

“In the first half of 2023, we continued our product and project deliveries. In recent months, delivered electrolyzers have been site acceptance tested and are commissioned for commercial production of green hydrogen at customer sites in Chile, Norway and Denmark. These are important milestones in the roll-out of the first wave of electrolyzers for green hydrogen production.

During Q2 2023, we experienced certain supply chain and product quality challenges influencing our production and delivery plan. These challenges are gradually resolved with new component arrivals allowing for an acceleration in customer deliveries from Q3 2023, following a Q2 with no revenue recognition.

We continue to have a good dialogue with existing and potentially new customers for both our A-Series and X-Series and rest comfortable that new orders and sales will pick up. The maturation of the first X-Series prototype is progressing well, with several component and system tests done.

In July we completed a capital raise and we were very pleased with the result and see it as strong support from both existing and new investors. The gross proceeds from the rights issue and the term loans provide the capital and the financial flexibility to continue executing our growth strategy.”

Conference call details

In connection with this announcement, Green Hydrogen Systems will host a conference call.

The conference call will be held on
22 August 2023 at 10:00 AM CET.

Please visit investor.greenhydrogen.dk to access the presentation used for the meeting.

Link to the webcast ›

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Key figures

DKK '000	H1 2023	H1 2022	2022
Customer orders			
Order backlog (MW)	20	13	13
Profit/loss			
Revenue	14,713	489	10,422
Operating profit/loss, EBIT	(195,493)	(147,333)	(282,967)
Net financials	(6,784)	(2,969)	(4,849)
Net profit/loss for the period	(199,527)	(147,552)	(282,316)
Balance sheet			
Balance sheet total	1,761,668	1,360,730	1,549,982
Equity	659,287	998,942	862,056
Cash flows			
Operating activities	(87,747)	(134,192)	(283,869)
Investing activities	(147,689)	(247,865)	(377,290)
Hereof investments in property, plant and equipment	(90,206)	(94,470)	(167,049)
Financing activities	276,588	176,032	489,574
Net cash flow for the period	41,152	(206,025)	(171,584)
Employees			
Average number of employees	292	224	242
Key ratios			
Solvency ratio (%)	37%	73%	56%
Return on invested capital (%)	(13)%	(10)%	(20)%
Return on equity (%)	(24)%	(16)%	(28)%
Other performance measures			
EBITDA	(161,641)	(131,809)	(249,174)
EBITDA margin	(1,099)%	(26,972)%	(2,391)%
Intangible CAPEX	(65,498)	(61,343)	(128,573)
Tangible CAPEX	(90,206)	(94,470)	(167,049)
Total CAPEX	(155,704)	(155,813)	(295,622)
Net working capital	25,775	5,539	(37,690)
Free cash flow	(235,436)	(382,057)	(661,158)
Cash and cash equivalents*	205,228	646,309	340,382
FTE end of period	307	241	276

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

* Including financial assets (listed bonds) that easily can be converted into cash with a repurchase agreement (repo) less related borrowings.

Forward-looking statements

This announcement contains forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'outlook', 'guidance', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

Please also refer to the overview of risk factors in the Annual Report 2022 available at [greenhydrogen.dk](https://www.greenhydrogen.dk).

Business highlights

Delivery and revenue recognition of A-Series electrolysers

In the first half of 2023, two A-Series customer orders were delivered and revenue recognised totalling DKK 14 million in revenue. The two deliveries follow successful acceptance tests in close coordination with customers. Green Hydrogen Systems will continue to support the delivered electrolysers with on-site maintenance and remote monitoring and support as part of multi-year service agreements.

Since Q1 2023, delivered electrolysers have been site acceptance tested and are inaugurated for commercial production of green hydrogen at customer sites in Chile, Norway and Denmark.

As previously reported, Green Hydrogen Systems has faced challenges in the supply of certain components not fulfilling the specified coating quality and thereby causing corrosion. The issues are gradually resolved with new component arrivals and additional arrivals expected during the coming months. The component challenges have paused final assembly, test and delivery of containers during Q2 2023 but are being resumed with recent factory acceptance test of an A90 electrolyser module to a European customer.

New orders and backlog

During Q1 2023, the competitive position of Green Hydrogen Systems' modular pressurised alkaline electrolysers was confirmed by two orders from international customers of 7.2MW and 0.9MW respectively. These orders are expected for delivery and revenue recognition in the second half of 2023 and the first half of 2024. No confirmed new orders were signed during Q2 2023.

By the end of Q2 2023, the order backlog comprises signed customer contracts of approximately 20 MW which is sufficient to meet the revenue guidance for 2023 assuming e.g., timely delivery of the orders. The technical issues and supply disturbances in relation to the A-Series mentioned above may challenge delivery of part of the backlog during the second half of 2023 and have also partly impacted the ability to close new orders for the A-Series in the second quarter of 2023. However, the revenue guidance range of DKK 120 to 160 million is maintained.

Some projects in the order backlog comprise the first phase of larger projects, and several of the orders are from customers having made repeat orders. In addition to the established order backlog, the Company has a continuously growing and diverse pipeline of potential customers and projects within different application segments and geographies, along with a clear strategy for conversion of the pipeline to order backlog projects.

X-Series prototype delivered for installation and test

Development of the first X-Series prototype is progressing positively. The X-Series prototype has been installed at the GreenLab facility in Skive, Denmark. Commissioning is progressing well, with several component and system tests already done towards targeted commercial launch in Q4 2023. The test programme undergoes a series of interdependent and coordinated phases starting with basic software tests after the installation and commissioning phase, followed by tests with gradually increasing pressure up to the targeted performance values. Assuming that satisfactory test data is achieved by the end of Q3 2023, the Company aims towards closing the first commercial orders for X-Series during Q4 2023. In that case, manufacturing and delivery of first X-Series units to customers will be targeted for Q3 and Q4 2024. Green Hydrogen Systems is in dialogue with potential customers for the possibility of partnering on a test site for the second X-Series prototype.

Factory expansion

During the first half of 2023, the expansion of the manufacturing facilities in Kolding was finalised on budget and ahead of schedule. Currently, the expanded facilities of around 18,000 m² in total are undergoing commissioning and ramp-up. Once fully upgraded, it is expected to increase the total potential manufacturing capacity to around 400 MW per year, with a targeted utilisation of 75 MW in 2024, 150 MW in 2025 and more than 200 MW in 2026. The expanded facilities are expected to enable scalable serial production of the A-Series and X-Series, as well as increased warehousing area and improved quality control.

Based on an extrapolation of the current maximum manufacturing capacity, the continuous optimisation of manufacturing and assembly processes and the planned introduction of the X-Series, the existing manufacturing facilities will support a potential manufacturing capacity of more than 1,000 MW per year.

Capital raise provides strong support for Green Hydrogen Systems' growth strategy

On 13 June 2023, Green Hydrogen Systems announced the initiation of a rights issue comprising up to 104,296,612 new shares. By July 2023, the offering was completed and fully subscribed, providing the Company gross proceeds of DKK 469 million. In addition to the capital raise, Green Hydrogen Systems has drawn on term loans made available by the major shareholders, APMH Invest A/S and Arbejdsmarkedets Tillægspension, with a total principal amount of DKK 250 million. The combined gross proceeds and debt financing totalling DKK 719 million will, in combination with currently available funds and debt financing, be funding growth investments and the operation of the Company as follows:

1. Continued R&D efforts to further increase the system performance of the A-Series product platform and development of the X-Series product platform
2. Investments to enable product industrialisation and scale-up of the production facilities
3. Strengthening the balance sheet to fulfil counter guarantees required by customers
4. Expansion of commercial and organisational ramp-up by attracting the needed competencies

The above initiatives will support the realisation of the medium-term targets for 2026, targeting revenue of more than DKK 1,200 million in 2026.

Medium-term targets 2026

In March 2023, medium-term targets for 2026 were announced. The medium-term targets reflect the expected competitiveness of the Company's product offering, continued positive development of the green hydrogen market with an increase in expected demand for electrolysis capacity and the impacts from the delay in the commercial ramp-up caused by the issues with the A-Series in 2022.

By 2026, the Company targets total revenue of more than DKK 1,200 million from contracts with customers. In 2025, the Company targets delivery and revenue recognition of 150 MW of electrolysis capacity corresponding to revenue of around DKK 1,000 million, including service revenue from installed electrolysis. Furthermore, the Company targets a positive EBITDA in 2026. The revenue growth is expected to be the main contributor to the targeted EBITDA development. In addition, the Company's cost-out plan is expected to contribute to a gradual improvement in margins.

The Company's medium-term targets are based on a number of factors, estimates, uncertainties and assumptions, many of which are outside the Company's control or influence, and it is likely that one or more of the assumptions that the Company has relied upon will not prove to be accurate in whole or in part. The Company has based its assumptions and estimates on information available when the medium-term targets were prepared.



Market fundamentals

The market for green hydrogen is continuously developing as the world moves from an energy system built on fossil fuels. During the past 12 months, Green Hydrogen Systems has noted recent industry trends impacting demand for green hydrogen, such as continued adoption of hydrogen strategies i.e., the US Inflation Reduction Act (IRA) and EU's response to the IRA, increased focus on security and reliability of energy supply, the surge in planned green hydrogen projects and general delays in project rollouts.

The United States adopted the IRA in August 2022. The IRA represents a significant climate legislation and a large investment in climate and clean energy solutions and is designed to reduce the U.S. CO₂ emissions by 50% in 2030. With provisions aimed at implementing a clean hydrogen production tax credit of up to USD 3 per kilogram, the IRA is expected to have a profound impact on the development of green hydrogen produced from renewables. Scaling up the development of hydrogen infrastructure and supporting hydrogen investments are also identified as critical areas to support hydrogen uptake in the EU.

In early 2023, the EU Green Deal Industrial Plan was presented as a response to IRA with the goal of enhancing the competitiveness of Europe's net-zero industry ambition and supporting the fast transition to climate neutrality. The core of the Green Deal Industrial Plan is to promote the creation of a more supportive environment for deploying the clean tech manufacturing capacity required to meet the EU's ambitious green targets, and it is complementing the already ongoing efforts under the European Green Deal and REPowerEU. The REPowerEU also caters for independence from fossil fuel and the security of energy supply in the EU.

The combination of significant political interest and industrial support drives a surge in new green hydrogen investment plans and project announcements. According to Hydrogen Europe, the total planned electrolysis capacity of green hydrogen projects announced in Europe is estimated to reach around 31 GW by 2025 (379 projects), 139 GW by 2030 (628 projects), and 191 GW of electrolyser installed power by 2040 (644 projects). The capacity of planned projects has increased significantly over the past two years, with only 9 GW of planned projects estimated in 2020 to be online by 2030, revealing a more than 15 times increase in planned projects since then. Nonetheless, the industry has broadly experienced delays in many of the ongoing project rollouts, which have resulted in revised start days. In 2020 expectation was that 523 MW of capacity would be deployed in 2022, however, the accumulated actual deployed electrolysis capacity was 162 MW. The most cited reasons for the delays include regulatory uncertainty, lack of financial incentives, supply chain challenges and offtake agreements.

Financial performance

Profit & loss

DKK '000	H1 2023	H1 2022	Full year 2022
Revenue	14,713	489	10,422
Gross profit*	(87,198)	(57,045)	(113,695)
EBITDA	(161,641)	(131,809)	(249,174)
Operating profit, EBIT	(195,493)	(147,333)	(282,967)
Net financials	(6,784)	(2,969)	(4,849)
Net profit for the period	(199,527)	(147,552)	(282,709)

* Gross profit comprises revenue less direct production costs as well as indirect costs such as salaries, depreciation of production facilities and provisions for onerous customer contracts

Revenue

In H1 2023, revenue from customer contracts was DKK 14.7 million. This is an increase of DKK 14.2 million compared to H1 2022. Delivery of two customer orders contributed to the revenue increase. Service revenue from the orders delivered YTD 2023, as well as from orders delivered end of 2022, will be recognised at a later stage when services are performed.

Due to certain challenges in the supply of certain components not fulfilling the specified coating quality, acceptance tests for part of the backlog have been paused during the second quarter of 2023. These challenges are currently being managed in order to resume tests and revenue recognition of the A90 electrolyser in Q3 2023.

Gross profit and EBITDA

In H1 2023, gross profit and EBITDA were DKK -87.2 million and DKK -161.6 million, respectively compared to DKK -57.0 million and DKK -131.8 million in H1 2022.

In H1 2023, the implementation of modifications to address certain issues in combination with price inflation for materials and components and additional work required in the assembly and manufacturing process, contributed to increased costs of DKK 30-40 million (expected at around DKK 80 million full year 2023). The increased cost level (where of around 50% is one-off costs) led to an adjustment of the EBITDA guidance for 2023 in May 2023. Green Hydrogen Systems has adopted a profit protection plan providing for expected savings partly covering the increased costs. Cost-cutting measures in the profit protection plan include postponement of hiring of non-critical resources, postponement of investments as well as reduction of expenses from sales and administration expenses.

Net financials and net profit

In H1 2023, net financials were DKK -6.8 million compared to DKK 3.0 million in H1 2022. The increase in financial expenses was due to increase in interest payments related to utilisation of financial assets (triple-A rated Danish mortgage bonds) through Repurchasing Agreements (REPO).

Net profit was DKK -199.5 million compared to DKK -147.5 million in H1 2022.

Balance sheet and cash flow

DKK '000	H1 2023	H1 2022	Full year 2022
Total assets	1,761,668	1,360,730	1,549,982
Equity	659,287	998,942	862,056
Net cash flow	41,152	(206,025)	(171,584)
Cash and cash equivalents	207,228	646,309	340,382

Balance sheet

At the end of H1 2023, total assets were DKK 1,762 million compared to DKK 1,361 million end of H1 2022. This was mainly driven by an increase in non-current assets where intangible assets and property, plant & equipment have increased by DKK 129 million and DKK 119 million respectively. The increase in intangible assets reflects the investments in R&D projects such as development of the A-Series and X-Series as well as other technology improvement projects. The increase in property, plant and equipment reflects the progress and finalisation of the factory expansion to 400 MW production capacity and investments in production equipment and test facilities.

Furthermore, inventory has increased by DKK 94 million. Inventory consists of parts, subassemblies and materials as well as electrolysers delivered to customers sites but not revenue recognised yet.

Equity decreased by DKK 340 million compared to end of H1 2022 mainly as a result of negative net profit for the period.

Net cash flow and cash balance

In H1 2023, net cash flow was DKK 41 million compared to DKK -206 million in H1 2022. The positive net cash flow development was mainly driven by utilisation of financial assets (triple-A rated Danish mortgage bonds) through REPO. Cash flow from operating activities increased by DKK 46 million mainly due to positive change in net working capital. By the end of H1 2023, cash and cash equivalents were DKK 207 million including cash-like financial assets less borrowings.

As described in above section '*Capital raise provides strong support for Green Hydrogen Systems' growth strategy*', Green Hydrogen Systems completed a share issue providing gross proceeds of DKK 469 million. In addition, Green Hydrogen Systems has drawn on a term loan of DKK 250 million. The combined gross proceeds and debt financing totalling DKK 719 million have been recognised in the balance sheet in July 2023 and are therefore not included in the balance sheet and cash flow for H1 2023.

Management's statement

The Executive Management and Board of Directors have today considered and adopted the Interim Financial Statements for the first six months of 2023 for Green Hydrogen Systems A/S. The financial report has not been audited or reviewed by the Company's independent auditors.

The Interim Financial Statements is prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion the Interim Financial Statements give a true and fair view of the financial position at 30 June 2023 of the Company and of the results of the Company operations for the first six months of 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 period 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.

Over and above the disclosures in the interim financial report, no changes in the Company's most significant risks and uncertainties have occurred relative to the disclosures in the annual report for 2022.

Kolding, 22 August 2023

Executive Management

Sebastian Koks Andreassen

Ole Vesterbæk

Board of Directors

Christian Clausen (chairman)

Troels Øberg (vice chairman)

Anders Jakob Vedel

Poul Due Jensen

Karen Boesen

Lars Valsøe Bertelsen

Simon Krogsgaard Ibsen

Armin Schnettler

Income Statement

Statement of profit or loss

DKK '000	Notes	H1 2023	H1 2022	2022
Revenue from contracts with customers	3	14,713	489	10,422
Production costs		(101,911)	(57,534)	(124,118)
Gross profit		(87,198)	(57,045)	(113,695)
Research and development costs		(37,685)	(33,600)	(55,172)
Sales and distribution costs		(20,218)	(14,111)	(28,932)
Administration costs		(50,394)	(42,577)	(85,168)
Operating profit (loss) (EBIT)		(195,493)	(147,333)	(282,967)
Financial income		4,990	192	289
Financial expenses		(11,774)	(3,161)	(5,138)
Profit/(loss) before tax		(202,277)	(150,302)	(287,816)
Income tax	5	2,750	2,750	5,500
Profit/(loss) for the period		(199,527)	(147,552)	(282,316)

DKK	Notes	H1 2023	H1 2022	2022
Earnings per share attributable to shareholders		(2.40)	(1.80)	(3.42)
Diluted earnings per share attributable to shareholders		(2.40)	(1.80)	(3.42)

Statement of comprehensive income

DKK '000	Notes	H1 2023	H1 2022	2022
Profit/(loss) for the period		(199,527)	(147,552)	(282,316)
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Changes in the fair value of debt instruments at fair value through other comprehensive income	6	6,495	(16,704)	(23,981)
Other comprehensive income for the period		6,495	(16,704)	(23,981)
Total comprehensive income for the period		(193,032)	(164,257)	(306,296)

Balance sheet

DKK '000	Notes	30 June 2023	30 June 2022	31 December 2022
Intangible assets	6	242,990	113,638	173,962
Property, plant and equipment		369,064	249,578	313,586
Financial assets at fair value through other comprehensive income	7	448,103	763,410	562,443
Right-of-use assets		12,274	9,290	7,875
Income tax receivables		2,750	2,750	0
Deposits		652	923	908
Total non-current assets		1,075,833	1,139,589	1,058,773
Inventories		191,450	97,785	170,004
Trade receivables		28,209	7,514	10,861
Income tax receivables	5	5,500	5,500	5,500
Prepayments		19,186	2,940	10,510
Other receivables		12,364	46,504	16,393
Financial assets at fair value through other comprehensive income	7	292,633	0	182,600
Cash and cash equivalents		136,492	60,899	95,340
Total current assets		685,835	221,141	491,209
Total assets		1,761,668	1,360,730	1,549,982

DKK '000	Notes	30 June 2023	30 June 2022	31 December 2022
Share capital	8	83,437	81,987	83,166
Share premium		1,742,521	1,740,789	1,742,521
Reserve for development costs		184,162	83,926	131,608
Reserve for financial assets at fair value through other comprehensive income		(19,657)	(18,875)	(26,152)
Accumulated deficit		(1,331,177)	(888,885)	(1,069,088)
Total equity		659,287	998,942	862,056
Borrowings	9	112,027	0	0
Lease liabilities		7,873	4,545	4,560
Total non-current liabilities		119,900	4,545	4,560
Borrowings	9	676,264	178,000	500,000
Trade payables		69,308	67,707	65,127
Lease liabilities		4,492	4,362	3,440
Contract liabilities		101,232	37,968	41,428
Deferred income		35,203	32,930	33,297
Provisions		24,088	13,677	14,944
Other payables		71,894	22,599	25,131
Total current liabilities		982,481	357,243	683,366
Total liabilities		1,102,381	361,788	687,927
Total equity and liabilities		1,761,668	1,360,730	1,549,982

Statement of changes in equity

DKK '000	Notes	Share capital	Share premium	Reserve for development costs	Reserve for financial assets at fair value through other comprehensive income	Accumulated deficit	Total equity
Equity at 1 January 2022		81,987	1,740,789	43,189	(2,171)	(691,953)	1,171,842
Loss for the period		0	0	40,737	0	(188,289)	(147,552)
Other comprehensive income		0	0	0	(16,704)	0	(16,704)
Total comprehensive income for the period		0	0	40,737	(16,704)	(188,289)	(164,257)
<i>Transactions with owners in their capacity as owners</i>							
Prepaid exercise of warrants, cash		0	0	0	0	296	296
Share-based payments	4	0	0	0	0	(8,939)	(8,939)
Total transactions with owners		0	0	0	0	(8,643)	(8,643)
Equity at 30 June 2022		81,987	1,740,789	83,926	(18,875)	(888,885)	998,942
Equity at 1 January 2023		83,166	1,742,521	131,608	(26,152)	(1,069,088)	862,056
Loss for the period		0	0	52,554	0	(252,081)	(199,527)
Other comprehensive income		0	0	0	6,495	0	6,495
Total comprehensive income for the period		0	0	52,554	6,495	(252,081)	(193,032)
<i>Transactions with owners in their capacity as owners</i>							
Capital increase, cash	7	271	0	0	0	0	271
Share-based payments	4	0	0	0	0	(10,008)	(10,008)
Total transactions with owners		271	0	0	0	(10,008)	(9,736)
Equity at 30 June 2023		83,437	1,742,521	184,162	(19,657)	(1,331,177)	659,287

Cash flow statement

DKK '000	Notes	H1 2023	H1 2022	2022
Loss for the period		(199,527)	(147,552)	(282,316)
Changes in net working capital		42,051	(37,638)	(71,226)
Adjustments		73,727	50,537	64,884
Interests received		7,195	2,392	3,977
Interests paid		(11,194)	(1,930)	(4,688)
Income taxes paid/received		0	0	5,500
Net cash flow from operating activities		(87,747)	(134,192)	(283,869)
Payment for property, plant and equipment		(65,498)	(94,470)	(167,049)
Payment for development costs		(90,206)	(61,343)	(128,573)
Payment for financial assets at fair value through other comprehensive income	6	0	(103,367)	(103,367)
Sale of financial assets at fair value through other comprehensive income	6	8,015	11,316	21,699
Net cash flow from investing activities		(147,689)	(247,865)	(377,290)
Principal elements of lease payments		(2,688)	(2,264)	(4,547)
Proceeds from borrowings	8	288,291	178,000	500,000
Proceeds from share issues		271	0	2,911
Warrants exercised (prepayment)		0	296	0
Cash settlement, RSU program		(9,286)	0	(8,790)
Cash flow from financing activities		276,588	176,032	489,574
Net cash flow for the period		41,152	(206,025)	(171,584)
Cash and cash equivalents, beginning of the period		95,340	266,924	266,924
Cash and cash equivalents at end of the period		136,492	60,899	95,340

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Notes

1. Accounting policies

This condensed interim financial report for the first half year of 2023 is presented in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU and additional Danish disclosure requirements regarding interim reporting by listed companies. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the IFRS financial statements for the year ended 31 December 2022.

Apart from below mentioned changes, the accounting policies are consistent with those of the previous financial year and corresponding interim reporting period. For a full description of the accounting policies applied, reference is made to note 1 in the Company's financial statements for 2022.

New format for presentation of income statement

In connection with preparation of the interim financial report for the first half of 2023 Management has chosen to change the format for presenting the income statement. For the H1 2023 interim period 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 the H1 2022 interim period and full year 2022 have been reclassified accordingly. The change of format for classifying expenses did not have any impact on the result for the periods 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.

Research 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 amortisation and depreciation on capitalised development costs.

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 accounting standards

A number of amended standards became applicable for the current reporting period. As of 1 January 2023, the Company has implemented all amended standards and interpretations as adopted by the EU and applicable for the 2023 financial year. This includes the changes to IAS 1 on disclosures on accounting policies, IAS 8 on definition of accounting estimates and IAS on deferred tax. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Further, the IASB has issued several new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the H1 2023 interim financial report. None of these new or amended standards are currently expected to have any significant impact on the financial statements of the Company in the reporting periods in which they become mandatory or in future periods.

Notes

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.

Primary financial statement line items in which more significant accounting estimates and judgements are applied are listed in note 2 Critical accounting estimates and judgements of the financial statements for 2022.

Valuation of inventories and onerous contracts

As at 31 December 2022, a write-down of inventory amounting to DKK 26,493 thousand was recognised due to expected negative margins on electrolysers under construction and late delivery rebates related to some of these electrolysers. As these onerous contracts related to units under construction dedicated to fulfill specific customer contracts, a write-down of inventories was recognised. Assumptions and estimates relating to a write-down of inventory are based on Management's expectations to materials and labour in determining the costs to complete the construction and timing of the delivery of these units. Management has accordingly revised its estimate during 2023, whereby the write-down of inventories has been increased by DKK 27,418 thousand. The write-down has been recognised in pro-

duction costs. Thus, as at 30 June 2023 the write-down in inventories amounts to DKK 53,911 thousand.

At 31 December 2022, Management has in addition recognised a provision related to onerous customer contracts of DKK 10,476 thousand where the unavoidable costs of fulfilling the obligations under the contract exceed the contract amount. The separate provision is only recognised in excess of any write-down made on dedicated electrolysers included in inventory as described above. As at 30 June 2023 the total provision related to onerous customer contracts amounts to DKK 21,226 thousand.

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.

Impairment of capitalized development costs

The Company continues to undertake internal development projects for the advancement of electrolysers and electrodes. As part of preparing the interim financial statements as of 30 June 2023, Management has assessed whether there are any indications that either completed development projects or development projects in progress may be impaired. Despite the current macro-economic environment with higher inflation and increasing interest rates, Management finds in continuance with the description in note 2 to the financial statements for 2022 that the development projects proceed as expected and with no indication that the capitalised costs have over-run their operational and commercial value. Thus, no impairment tests have been made for the first six months of 2023.

Notes

3. Revenue from contracts with customers

The following table displays revenue by product offering:

DKK '000	H1 2023	H1 2022
Product revenue	14,262	280
Service and other revenue	451	209
Total revenue by product offering	14,713	489
Revenue recognised at a point in time	14,579	280
Revenue recognised over time	134	209
Total revenue by revenue recognition	14,713	5,172

4. Share-based payment plans

As described in details in note 7 in the Company's financial statements for 2022, the Company operates various share-based payment plans for the Executive Management and key employees.

Performance Share Units

Under the Long-Term Incentive plan introduced in 2022, the Company has in 2023 granted additional Performance Share Units (PSUs) free of charge to the participants. The PSUs will in accordance with the terms of the program be vesting over a three-year period and is subject to fulfillment of predetermined revenue targets.

Number of PSUs

DKK '000	H1 2023	H1 2022
Outstanding at 1 January 2023	97	0
Granted during the period	187	93
Forfeited during the period	(20)	0
Outstanding at 30 June 2023	264	93
Weighted average fair value of PSUs granted during the period (DKK per PSU)	31,74	27,71

The fair value corresponds to the grant date fair value of the Company's share.

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

DKK '000	H1 2023	H1 2022
RSU program	1,565	1,759
PSU programs	(630)	375
Total expense for equity settled programs	935	2,134
Cash settled	(1,656)	(1,980)
Total share-based payment expense	(721)	154

Notes

4. Share-based payment plans (continued)

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 considers the performance target for the 2022 grant unlikely to be met, no share-based payment expense should be recognised for that grant. Consequently, all associated expenses previously recognised have been reversed during H1 2023.

The RSU program granted to the Company's CEO was settled in June 2023. As a part of the RSU program was

offered to be settled in cash, 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. The liability was subsequently remeasured at fair value giving rise to an adjustment of DKK 1,656 thousand, which was recognised as administrative costs. In connection with the settlement of the RSU program 271,329 new shares were issued, cf. note 7 (share capital).

The amount recognised in equity for the period comprise of:

DKK '000	H1 2023	H1 2022
Setting up liability from reclassifying program to be cash settled	(10,943)	(11,073)
Total share-based payment expense for equity-settled programs	935	2,134
Total amount recognised in equity for the period	(10,008)	(8,938)

5. Tax on profit for the period

Current tax on losses for the periods are originating from the tax credit scheme for research and develop-

ment costs, under which the tax value of accumulated tax losses up to DKK 25 million are paid to the Company.

6. Intangible assets

In the first half of 2023 the Company has continued its investments in continuous advancement and optimisation of the A-Series, improving design, documentation and product reliability as well as the stack efficiency and

development and commercialisation of the upcoming X-Series platform. The total amount invested in development projects in H1 2023 is DKK 87 million.

Notes

7. Financial assets at fair value through other comprehensive income

DKK '000	H1 2023	H1 2022	31 December 2022
Cost at January 1	776,133	694,465	694,465
Additions for the period	0	103,367	103,367
Disposals for the period	(8,015)	(11,316)	(21,699)
Cost at end of period	768,118	786,517	776,133
Accrued interest January 1	(4,939)	(800)	(800)
Accrued for the period	(2,785)	(3,431)	(4,139)
Accrued interest	(7,725)	(4,231)	(4,939)
Fair value adjustment at January 1	(26,152)	(2,171)	(2,171)
Fair value adjustment for the period	6,495	(16,704)	(23,981)
Fair value adjustment at end of period	(19,657)	(18,875)	(26,152)
Net book value at end of period	740,736	763,410	745,042
Financial assets at fair value through other comprehensive income			
Non-current assets	448,103	763,410	562,443
Current assets	292,633	0	182,600
Financial assets at fair value through other comprehensive income at end of period	740,736	763,410	745,042

During the period, 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:

hensive income related to the Company's financial asset at fair value through other comprehensive income:

DKK '000	H1 2023	H1 2022	31 December 2022
<i>Listed bonds</i>			
Gains / losses recognised in other comprehensive income	6,495	(16,704)	(23,981)
Interest expense from investments held at fair value through other comprehensive income recognised in the income statement	(580)	(1,231)	(1,290)
Listed bonds at end of period	5,914	(17,935)	(25,271)

Information about the fair value measurement of the listed bonds is provided in note 9.

Notes

8. Share capital

The share capital comprise:

	30 June 2023		30 June 2022		31 December 2022	
	Number of A shares	Nominal value (DKK)	Number of A shares	Nominal value (DKK)	Number of shares	Nominal value (DKK)
Opening balance	83,166	83,166	81,987	81,987	81,987	81,987
Capital increase, cash	271	271	0	0	1,179	1,179
Share capital (fully paid)	83,437	83,437	81,987	81,987	83,166	83,166

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

Notes

9. Borrowings

The Company's borrowings consist of the following:

DKK '000	30 June 2023	30 June 2022	31 December 2022
Secured borrowings (repo)	672,000	178,000	500,000
Mortgage loans	116,291	0	0
Total borrowings	788,291	178,000	500,000
Current	676,264	178,000	500,000
Non-current	112,027	0	0
Total borrowings	788,291	178,000	500,000

At 30 June 2023, the Company's borrowings relating to the repurchase agreement (repo) involving the Company's holdings of listed bonds amount to DKK 672 million (2022: DKK 500 million). 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 further described in the financial statements for 2022, the Company measures the related listed bonds at fair value through other comprehensive income. At

30 June 2023, the carrying amount of the listed bonds transferred under the repo amounts to DKK 666 million (2022: DKK 500 million).

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 30 June 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.

DKK '000	Interest rate	Maturity	30 June 2023	31 December 2022
Mortgage loan with a 5 year fixed interest	5.74%-5.78%	2042	87,302	0
Mortgage loan with variable interest	Cibor 3 + 1.55%	2043	28,990	0
Total mortgage loans			116,292	0

At 30 June 2023, the carrying amount of the assets pledged as security for the mortgage credit financing

agreement amount to DKK 292 million (2022: DKK 0 million).

Notes

10. Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the 2022 financial statements of the Company. 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	30 June 2023	30 June 2022
<i>Recurring fair value measurements</i>		
Financial assets at fair value through other comprehensive income:		
Listed bonds	740,736	763,410
Total financial assets - level 1	740,736	763,410
Financial liabilities measured at fair value		
Exit-payment derivatives	3,000	3,000
Total financial liabilities - level 3	3,000	3,000

For financial assets and liabilities of short-term nature, such as trade receivables and trade payables, the carrying amount approximates their fair value. For borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is close to current market rates. At 30 June 2023, the fair value of mortgage loans with a 5 year fixed interest rate amounts to DKK 98,289 thousand (2022: 0 DKK) compared to a carrying amount of DKK 87,302 thousand.

Exit-payment derivatives

Financial instruments categorised within level 3 comprise the exit-payment derivatives related to the loans from Danmarks Grønne Investeringsfond which previously have been repaid in full. Valuation methods remain unchanged from the description in note 23 to the financial statements for 2022 and with no significant changes in fair values.

Notes

11. Commitments and contingent liabilities

Guarantees

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

The Company has provided counter guarantees of DKK 30 million related to prepayments from customers. Cash

balances of DKK 30 million related to these guarantees are restricted.

Contingent liabilities

None

Commitments

Capital commitments

DKK '000	30 June 2023	31 December 2022
Property, plant and equipment	0	16,000

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

The Company has signed agreements amounting to DKK 168 million in construction of the phase 2 expansion. End of June 2023 there are no further obligations in relation to the construction agreement.

12. Assets pledged as security

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

DKK '000	30 June 2023	31 December 2022
<i>Non-current</i>		
Property, plant and equipment	292,000	0
Financial assets at fair value through other comprehensive income	446,000	317,400
Total current assets pledged as security	738,000	317,400
<i>Current</i>		
Financial assets at fair value through other comprehensive income	220,000	182,600
Total non-current assets pledged as security	220,000	182,600
Total assets pledged as security	958,000	500,000

Notes

13. Events after the balance sheet date

Rights issue

On 13 June 2023, the Company initiated a rights issue at a subscription ratio of 5:4 and a subscription price of DKK 4.50 per new share. The offering comprised up to 104,296,612 new shares which are issued with pre-emptive rights to subscribe for the new share for the Company's existing shareholders. On 4 July 2023, the Company announced that a total of 100,619,454 of the new shares have been subscribed for by exercise of the pre-emptive subscription right, and additional 3,677,158 of new shares were subscribed for as a result of applications for subscription of remaining shares.

The total number of shares subscribed corresponds to gross proceeds accruing to the Company of approximately DKK 469 million. The offering was completed on 6 July 2023.

Transaction costs related to the rights issue we will be recognised in equity approximates in total DKK 40 million.

Term loan agreements

In June 2023, the Company further entered into two term loan agreements 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 term loans 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 mortgage. 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.