Annual report 2020

Green hydrogen - the energy carrier for the future

GREEN HYDROGEN SYSTEMS

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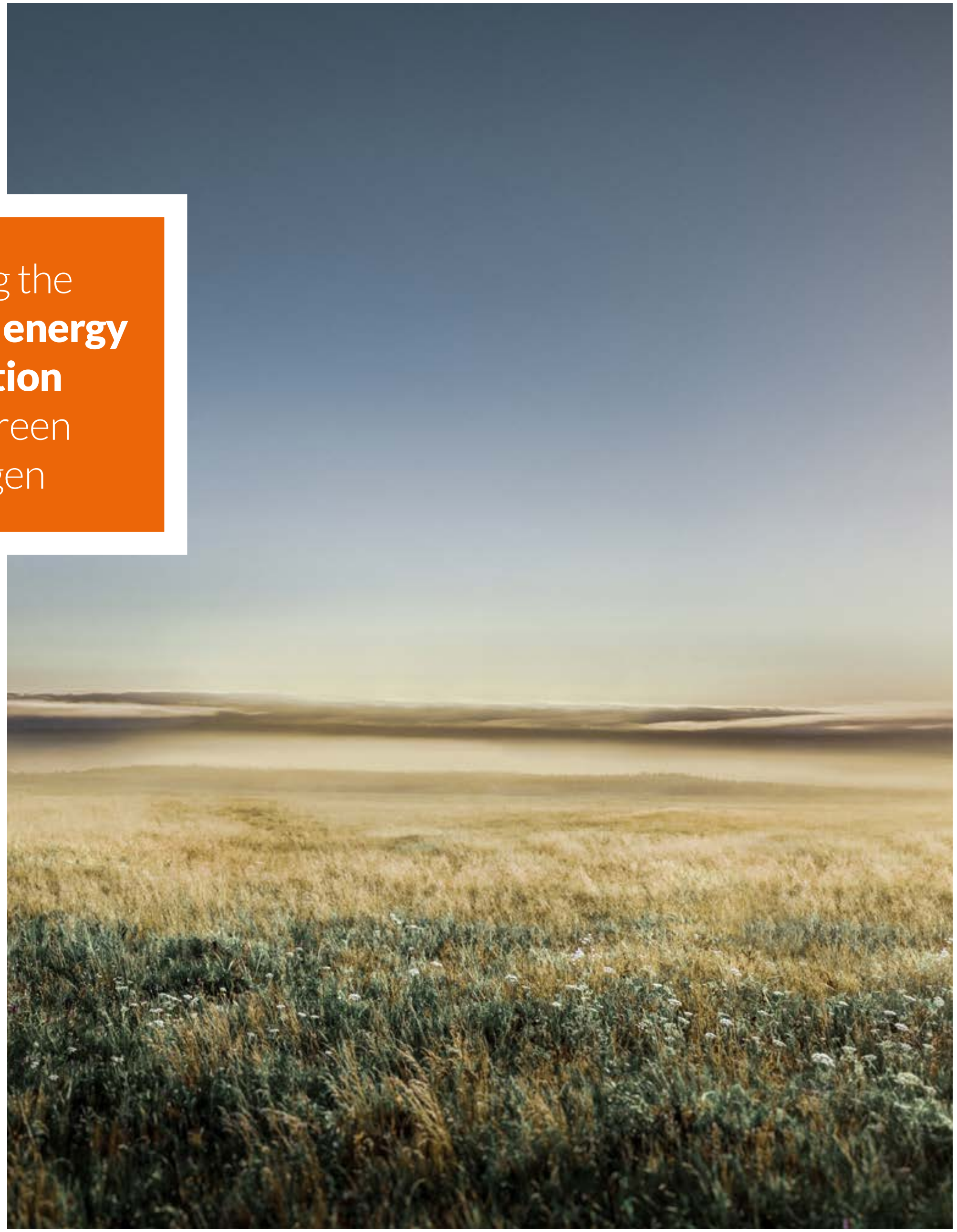
This Annual Report is available on **www.greenhydrogen.dk**

Driving the **global energy transition** with green hydrogen



At a **Glance**

Who we are

Green Hydrogen Systems is a leading provider of electrolysis solutions and related services for the production of green hydrogen solely based on renewable energy.

With its wide range of possible applications, green hydrogen has the potential to play a key role in the ongoing decarbonisation of global societies. As a result, the demand for green hydrogen is surging, requiring a significant scale-up of electrolysis capacity.

How we will change the world

Vision

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

Mission

Advance and deploy our modular, standardised and versatile best-in-class electrolyser technology to drive and develop the market and meet the demand from customers and other stakeholders

Key facts

2007

Founded in Denmark

+10 years

R&D has led to advanced electrolyser technology platform

+75

Employees and growing[1]

75 MW

Production capacity, scale-up plans in place[2]

37 DKKm

Order backlog[3]

[1] As at 1 March 2021
[2] In current production facility based on running three manufacturing shifts
[3] As at 1 March 2021

Scaling for **growth**

2020 was indeed a remarkable year. The year started with a team of 18 employees at Green Hydrogen Systems. By year-end, we were 55 talented and dedicated people, and we have added more than 20 new colleagues in the first months of 2021.

This development is a tangible result of the overriding strategic focus of the year - namely to prepare for future growth by scaling up both the organisation and the production capacity to meet the growing demand for green hydrogen and thus electrolysis capacity.

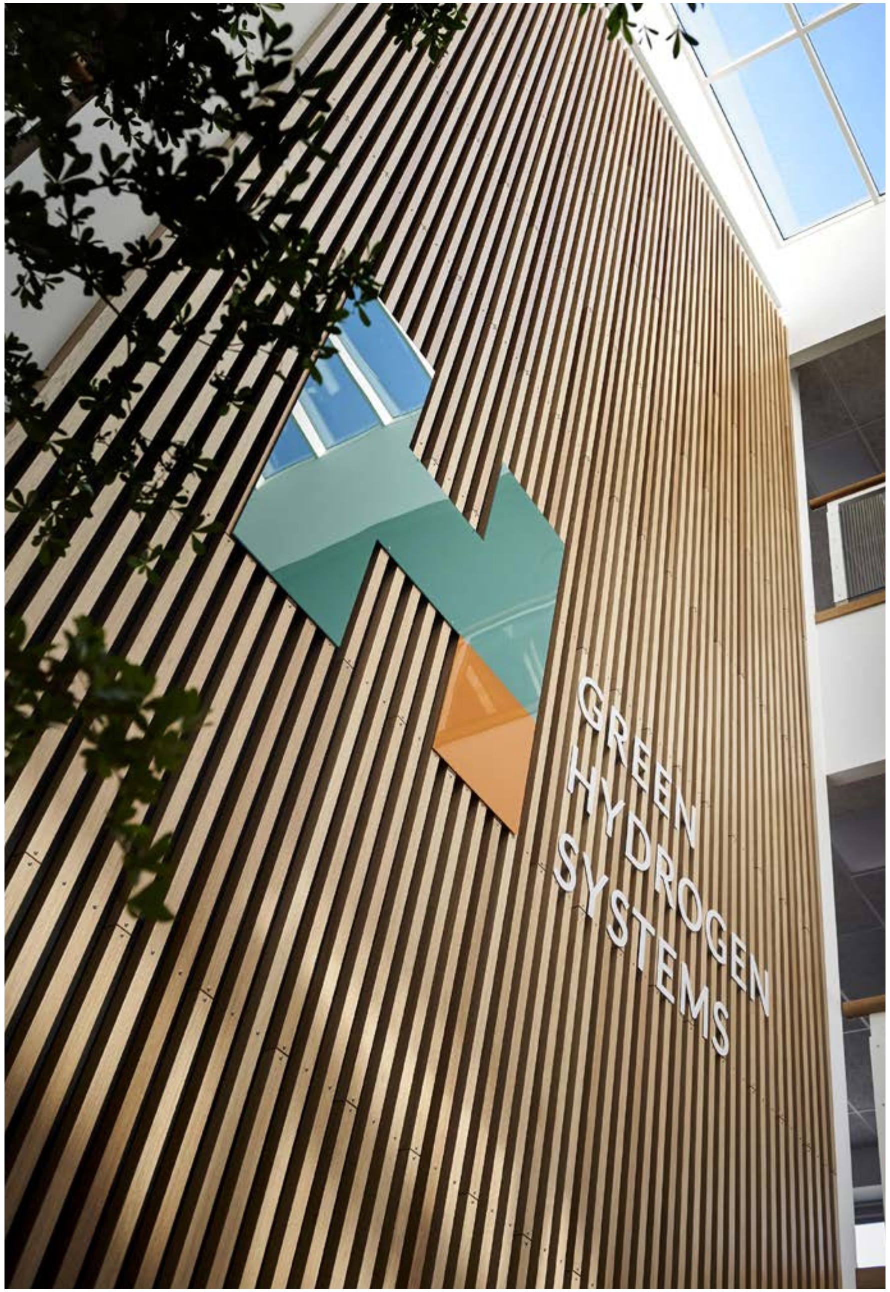
Our strategic focus to scale up is supported by governments and industry stakeholders increasingly recognizing the potential for green hydrogen to play a key role in the future decarbonised energy system. And why is that?

Direct electrification of much of our energy system with power from solar, wind and other renewables is the first line of defense against the threat from climate change to the modern life as we know it today. But not all of our energy systems can be directly electrified. In particular industry, transportation and buildings - sectors accounting for approx. 65%[1] of yearly greenhouse gas emission in Europe - are difficult to decarbonise.

However, hydrogen can play a vital role where direct electrification cannot be achieved. Green hydrogen has the potential to contribute up to 50%[2] of the necessary CO_2 reduction in Europe as set out in the Paris Agreement.

That is why many countries have announced national strategies and implemented policies for green hydrogen production. In 2020, the EU an-

1) McKinsey & Company – Net-Zero Europe (2020)
2) FCH JU – Hydrogen Roadmap Europe (2019)



"Our strategic focus to scale up is supported by governments and industry stakeholders increasingly recognizing **the potential for green hydrogen to play a key role in the future decarbonised energy system."**

nounced a hydrogen strategy targeting 6 GW of installed green hydrogen capacity by 2024, and 40 GW by 2030, as part of the EU Green Deal - a comprehensive and ambitious plan for CO_2 reduction in the EU. That should be compared with the around 0.3 GW installed green hydrogen capacity in the EU today. To meet these targets, green hydrogen production capacity must be increased significantly and rapidly.

The political ambitions are supported by industrial plans and demand for green hydrogen. Green Hydrogen Systems has been selected as electrolysis partner and provider in several projects involving well-reputed industry players, such as Ørsted and Siemens Gamesa.

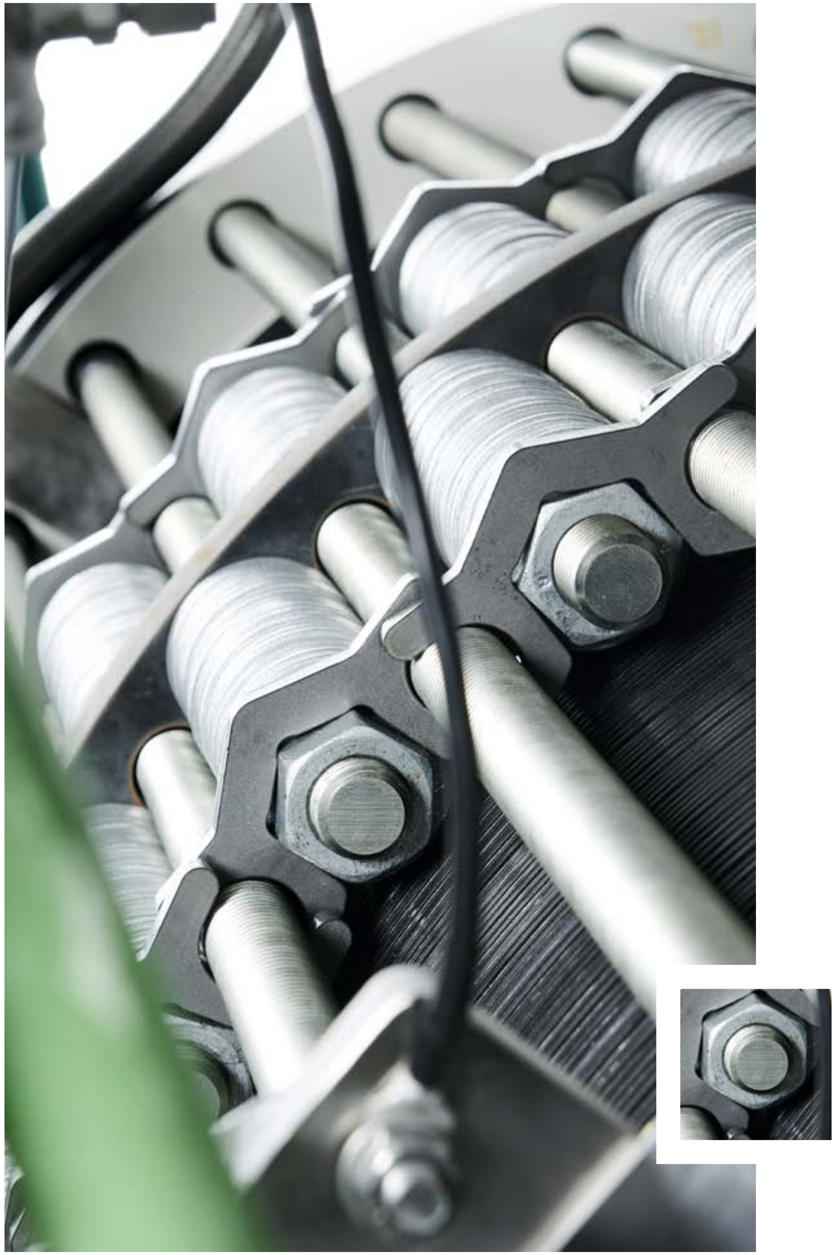
In November 2020, we moved into our new combined manufacturing, R&D and office facility in Nordager, Kolding in Denmark. This new state-of-the-art production and testing facility is armored with the newest equipment and technology to optimize manufacturing and ensure the highest levels of quality and safety.

Our new 4,500 m^2 facility with a production capacity of 75 MW per year completes the first phase of our expansion plan. When needed, we have plans in place for further expansion to a production capacity of more than 1,000 MW per year.

Along with accelerated growth of the organisation, senior executive competencies were broadened, bringing in expertise from the energy sector and experience within scaling business, international sales and full value chain operations. The Board of Directors was also strengthened with internationally experienced and strong complementary competencies.

It requires significant investments to unfold the full potential of Green Hydrogen Systems. In December, we received investments for a total of approx. EUR 27.7 million to support the ongoing scale-up of the company. In addition to a EUR 7 million investment from our majority shareholder Nordic Alpha Partners, and EUR 1 million from shareholder Norlys Holding, A.P. Møller Holding invested EUR 20 million in the form of a convertible loan. Approx. EUR 20.8 million of the commitments have been disbursed. We see the investment from A.P. Møller Holding as a vote of confidence in our technology and the market potential we are taking part of.

"2021 started well for Green Hydrogen Systems with the announcement of the sale of our A90 electrolysers to Ørsted as part of a pilot project in Avedøre"



We are pleased with and proud of the achievements of Green Hydrogen Systems in 2020, in particular in the light of the Covid-19 pandemic, which globally affected societies, businesses and lives in 2020. Health and safety of our people and assets are top priorities at Green Hydrogen Systems, and we took the necessary precautions to limit the risk of infections, but also to ensure that production could continue unaffected. We want to thank all employees for their efforts and dedication, as well as for adapting to the challenges the pandemic caused.

2021 started well for Green Hydrogen System with the announcement of the sale of five of our A90 electrolysers units to Ørsted as part of the so-called H2RES pilot project in Avedøre. The H2RES project is a major opportunity to demonstrate how our electrolysis equipment acts as a key element in transforming green power to green hydrogen. We have a strong order backlog of DKK 37 million and an encouraging pipeline of interesting projects around Europe and other places of the world.

At Green Hydrogen Systems, we are convinced that green hydrogen will be at the heart of the future energy system and the important transition towards a net-zero emission society in 2050. With our technology, we are committed to be on the forefront of this important shift of our energy landscape, and thereby contributing to a green and sustainable future.

Sebastian Koks Andreassen, CEO

Thyge Boserup, Chairperson

Key figures

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

DKK '000	2020	Pro forma* 2019	Pro forma* 2018	Dec 2019
Profit/loss				
Revenue	9,433	14,196	4,179	0
Operating profit/loss	(72,689)	(12,027)	(4,142)	(1,781)
Net financials	(2,861)	(83)	(16)	0
Net profit/loss for the year	(73,241)	(10,736)	(2,762)	(1,561)
Balance sheet				
Balance sheet total	232,898	40,909	14,494	40,909
Equity	(4,077)	20,534	137	20,534
Cash flows				
Operating activities	(25,172)	(21,682)	(1,302)	(5,447)
Investing activities	(31,625)	(1,412)	(3,821)	(301)
Hereof investments in property, plant and equipment	(20,647)	(106)	(147)	0
Financing activities	203,338	31,907	4,816	(21)
Net cash flow for the year	146,541	8,813	(307)	(5,769)
Employees				
Average number of employees	37	11	7	18
Financial Key Ratios				
Solvency ratio (%)	(2)%	50%	1%	49%
Return on invested capital (%)	(53)%	(39)%	(26)%	(4)%
Return on equity (%)	(890)%	(104)%	(520)%	(7)%

DKK '000, unless otherwise stated	2020	Pro forma* 2019	Pro forma* 2018	Dec 2019
Other performance measures				
Order intake in DKK millions	41.8	4.3	14.3	0
Order intake in megawatts	4.6	0.5	0.6	0
Gross profit	(4.022)	222	678	(291)
Gross profit margin	(43)%	2%	16%	0
Gross profit margin excluding one-offs	4%	2%	17%	0
Total R&D spend	20,385	5,601	4,640	697
EBITDA	(69,617)	(11,711)	(3,864)	(1,735)
EBITDA margin	(738)%	(82)%	(91)%	0
Intangible CAPEX	11,490	1,745	3,756	334
Tangible CAPEX	20,647	106	147	0
CAPEX	32,137	1,851	3,904	334
Net working capital	(24,295)	7,012	(4,399)	3,317
Free cash flow	146,541	8,813	(307)	(5,769)
Cash spend	(56,797)	(23,094)	(5,123)	(5,748)
Net cash position	(32,954)	5,216	(2,317)	11,362
Headcount end of year	55	18	9	18

* The company has implemented IFRS on 1 January 2018.

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

Green hydrogen's role in the **energy system**

Green hydrogen can play a central role at the heart of a sustainable future energy system covering all parts of global societies. Green hydrogen is a completely carbon neutral and versatile energy carrier that can be used directly or indirectly, and in addition, it can be used to store wind and solar energy.

1 H Hydrogen 1.008

What is hydrogen?

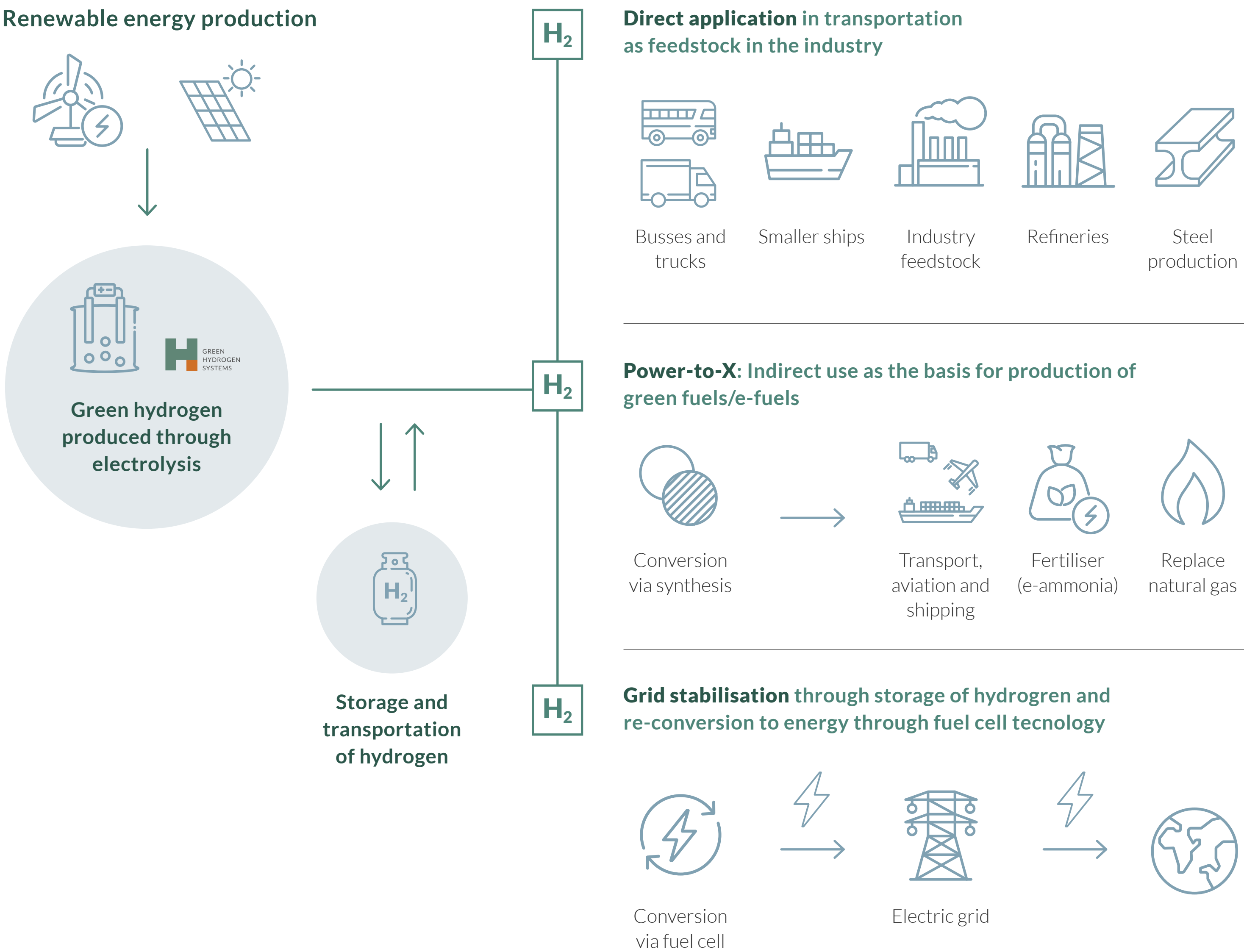
Hydrogen is the first element in the periodic table – the smallest and lightest atom, and the most abundant element in the universe. Hydrogen has a high energy density and can efficiently store energy over extended periods of time with limited energy loss. That makes hydrogen a highly effective and versatile energy carrier, that can be produced from a wide range of sources and used in many ways across the entire energy sector and soceities.

Today, hydrogen is mainly used as industrial feedstock in refining and chemical processes, and is produced industrially from natural gas, which generates significant carbon emissions. This type of hydrogen is called **grey hydrogen**.

Due to the many benign characteristics of hydrogen, alternative low-carbon production methods have been studied for years. A cleaner, but still not completely emission free, version is **blue hydrogen**, where the CO_2 emissions from the production of grey hydrogen are captured and stored, or reused.

However, when hydrogen is produced through water electrolysis with the electricity coming from renewable sources, the hydrogen is considered completely carbon neutral. No CO_2 has been emitted in the production, and no CO_2 will be released when used. That is called **green hydrogen**.

Green hydrogen's role in **the energy system**



Direct application

The most straightforward direct application of green hydrogen is to replace the current use of grey hydrogen in the industry. Green hydrogen may also find new direct application methods such as in transportation - directly in hydrogen-powered vehicles or via fuel cells - as the higher energy density of hydrogen compared to batteries make green hydrogen a more viable option for long-range vehicles, heavy-duty transportation and smaller ships.

Power-to-X

Green hydrogen can be used in the production of carbon free anmonia, synthetic fuels (e-fuels) and gasses, which can be used as fuel in heavy-duty road transport, shipping and aviation, as fertilizer or as a replacement for natural gas in building and industrial heating. This process is called Power-to-X, where X represents the different types of fuels electricity can be converted into.

Grid stabilisation

As hydrogen can be both stored and transported, green hydrogen can act as a grid stabilizer to bridge the gap between the irregular supply of renewable energy and electricity demand from end-users both in terms of time and place. In particular, green hydrogen can be produced with surplus renewable energy and be stored for later use when the availability of renewable energy is low.

Growing demand for **green hydrogen**

There is a significant momentum in the market for green hydrogen, driven by policy and industry forces.

EU targets
55% CO_2 reduction
by 2030

Strong societal and political push to limit CO_2 emissions

Globally there is a common goal of reducing CO_2 emissions to curb climate change. 196 UN member states have signed the Paris Agreement to limit global warming. In Europe, the European Commission has increased its targets, and now require a 55% CO_2 reduction by 2030. In Denmark, the similar target is to reduce emissions by 70% in 2030. At the time of the 2019 UN Climate Summit, 66 countries had announced net-zero carbon emissions targets by 2050.

Declining costs of renewables and green hydrogen technologies

As electricity comprises the largest share of the cost of green hydrogen, the price development of renewable energy is important to achieve cost parity with fossil fuel alternatives. Since 2010, the cost of solar and wind power has seen an 80%[1] decrease, meaning that renewable energy is now cheaper than fossil fuel alternatives in several areas. At an industry-level and in a Danish setting, the cost for green hydrogen is estimated to decline by approx. 50% towards 2040, mainly driven by lower electricity costs, lower tariffs and lower capital expenditure, mainly related to the electrolysers. This combined with an expected regulatory push to increase CO_2 taxes will be key elements in making green hydrogen a cost optimal option for end-users.

[1] Hydrogen Council – Path to Hydrogen Competitiveness (2020)
[2] Hydrogen Project Database as at June 2020, and Recharge News – Gigawatt-scale: The world's 13 largest green-hydrogen projects (December, 2020)

Regulatory push in national hydrogen strategies

Governments are increasingly recognizing hydrogen's role in reaching CO_2 reduction targets, particularly in sectors that are difficult to decarbonise. As a result, green hydrogen policies and strategies are adopted in many countries around the world. In 2020, France, Germany, the Netherlands, UK, Norway, Italy, Spain and Portugal announced ambitious national hydrogen strategies. On top of this, EU announced a hydrogen strategy targeting 6 GW of installed green hydrogen capacity by 2024, and 40 GW by 2030, compared with the current around 0.3 GW installed green hydrogen capacity in the EU.

Industry activities supporting large investments

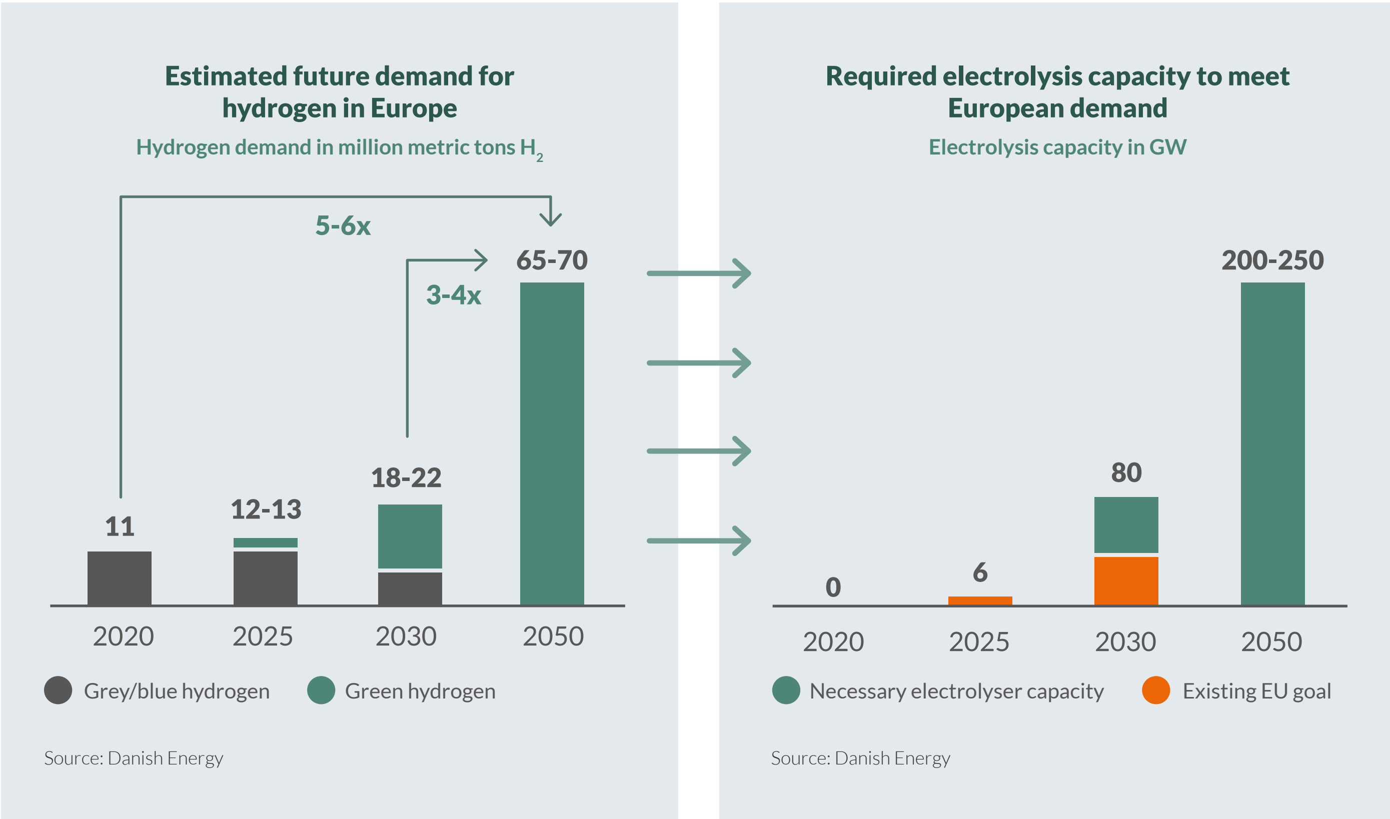
Industrial activities further provide evidence of the growing demand for green hydrogen. The Hydrogen Council, a global initiative consisting of energy, transport and industrial companies with a vision and ambition for hydrogen to drive the ongoing energy transition, has since its foundation in 2017 grown to more than 100 member companies. The combination of significant political interest and industrial support is driving a surge in new green hydrogen investment plans and project announcements. In 2020, 50 GW of new green hydrogen electrolysis projects were announced globally, comprising 62.5%[2] of the total planned capacity of 80 GW. In Denmark, leading Danish companies are forming partnerships to develop an industrial-scale production facility to produce sustainable fuels for road, sea and air transport.

Need for more **electrolysis capacity**

In 2020, the demand for hydrogen, mainly grey hydrogen, in the EU was approx. 11 million metric tons, primarily for use as feedstock in industrial processes, such as ammonia production and oil refining. By 2030, total demand in the EU is estimated to reach 18-22 million metric tons per year, with the majority expected to be for green hydrogen. Towards 2050, demand is estimated to increase to 65-70 million metric tons, comprised entirely of green hydrogen.

Fulfilling the growing demand for green hydrogen will require a nearly exponential expansion in electrolyser capacity towards 2050. Today, the installed electrolysis capacity in the EU can hardly be measured in GW. To cover the expected demand for green hydrogen in the EU in 2030, it would require an estimated electrolyser capacity of 80 GW. The capacity would be required to expand further to reach 200-250 GW to cover the estimated demand in the EU by 2050.

Future demand for hydrogen expected to **grow 5-6 times** from 2020 to 2050



While the market for green hydrogen is global, the European market is seen as an important driver for the development of green hydrogen. To meet the surging demand for green hydrogen as part of the green energy transition, electrolysis capacity must be increased significantly and rapidly.

Our new **manufacturing, R&D and office** facility

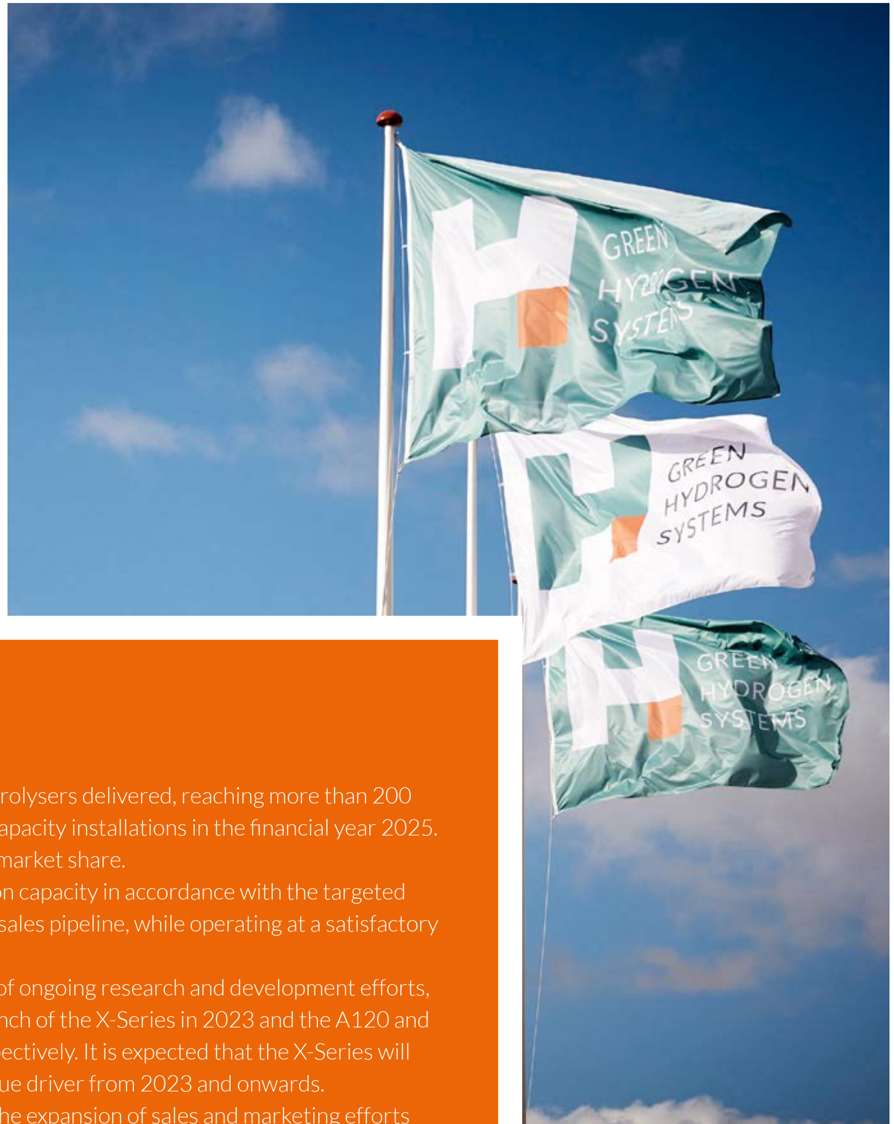
Our new manufacturing, R&D and office facility

measures 4,500 m² and has an equipment production capacity of 75 MW annually. It can be scaled to 30,000 m² - allowing us to manufacture electrolysers corresponding to more than 1,000 MW in combined capacity a year.

Facility size	Annual production capacity	Scalability potential	Facility size	Annual production capacity
4,500 m²	75 MW	→	30,000 m²	1,000 MW

Medium-term **targets**

Based on the expected development in the market for electrolysers and successful strategy execution, Green Hydrogen Systems has set out medium-term targets for 2025.



Revenue

Consecutive growth in revenue[1] to more than DKK 1,000 million in 2025, with the highest growth rates in the middle to later part of the period towards 2025. Of the total revenue in 2025, we aim for 10-15% to come from service and other revenue sources, hereunder our growing activity within Service & Maintenance.

Gross profit margin

Based on the realisation of cost efficiencies and scale benefits, we aspire to realise a steady increase in gross profit margin, reaching a level of approx. 25% by 2025.

EBITDA

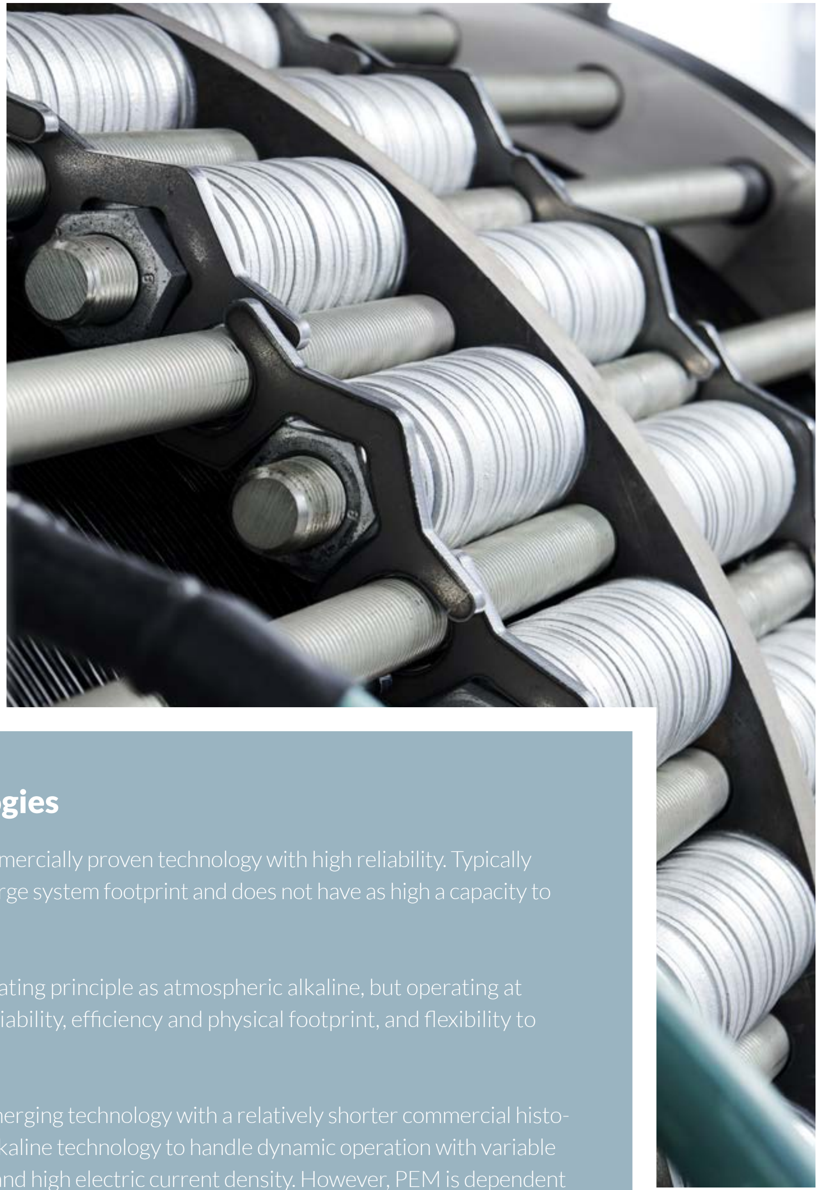
Substantial investments in the continuation of R&D efforts, production scale-up, expansion of sales and marketing efforts and organisational ramp-up are estimated to affect the first two to three years, leading to a planned decline in absolute EBITDA level before gradual improvements that enable us to generate a positive EBITDA in 2025. In 2025, we aspire to reach a high single-digit EBITDA-margin.

[1] Revenue from customer contracts

Key assumptions:

- A significant increase in electrolysers delivered, reaching more than 200 MW in revenue recognised capacity installations in the financial year 2025.
- An expansion of our current market share.
- Our ability to scale production capacity in accordance with the targeted growth in order backlog and sales pipeline, while operating at a satisfactory level of capacity utilisation.
- The successful continuation of ongoing research and development efforts, including the commercial launch of the X-Series in 2023 and the A120 and A150 in 2022 and 2023 respectively. It is expected that the X-Series will constitute the primary revenue driver from 2023 and onwards.
- The successful execution of the expansion of sales and marketing efforts and general organisational scale-up.
- Our ability to successfully implement and complete our planned cost-out program.

Our product strategy has **three main pillars**



1 Competitive technology

We have explored different technologies and have decided to fully prioritise **pressurised alkaline electrolysis** as our core technology, which is well-positioned in terms of reliability, efficiency and physical footprint. It can operate dynamically at variable loads with fast ramp-up and down, which is key for integration with renewable power. Another advantage is that our electrolysers do not require scarce, emission intensive and price-sensitive materials like iridium and platinum.

2 Modular and versatile solutions suited for serial production

Our standardised electrolysers are based on a modular design, and each module can be used as a stand-alone electrolyser or combined in clusters for larger multi-MW and GW applications. All modules are pre-tested at our factory in Kolding before being shipped to the customer. This approach allows for rapid deployment on-site. Furthermore, the standard modular design is suited for serial manufacturing at industrial scale which will enable us to drive down the costs of our electrolysers considerably.

3 Significant potential to reduce cost of hydrogen

While we have no control over the cost of renewable energy, we can influence other factors affecting the cost of hydrogen for end-users. This includes cost of the electrolyser, installation, maintenance and energy conversion efficiency - and continuously progressing to reduce costs of hydrogen to make it an even more compelling choice.

Different electrolyser technologies

Atmospheric alkaline - an established and commercially proven technology with high reliability. Typically needs to be assembled on-site, has a relatively large system footprint and does not have as high a capacity to operate dynamically at variable load rates.

Pressurised alkaline - same fundamental operating principle as atmospheric alkaline, but operating at higher pressure. Well-positioned in terms of reliability, efficiency and physical footprint, and flexibility to operate dynamically at variable load rates.

Polymer Electrolyte Membrane (PEM) - an emerging technology with a relatively shorter commercial history. PEM is more suitable than the atmospheric alkaline technology to handle dynamic operation with variable load, and has a relatively small system footprint and high electric current density. However, PEM is dependent on noble metals, which increases the risk of increasing costs and supply chain challenges.

Our **products**

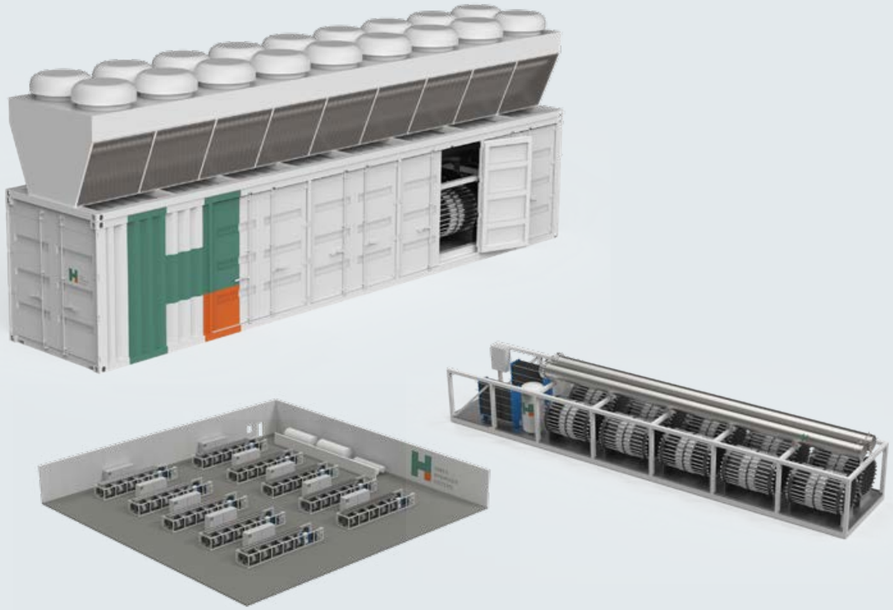
Based on a decade of research, we have developed complete pressurised alkaline electrolysis solutions available in standardised, modular configurations for maximum flexibility and scalability. It is a proven and cost-competitive technology solution. The modularity of our technology fits all scale solutions ranging from unlimited-MW applications to stand-alone and smaller clusters.

HyProvide™ A-Series

Available in standardised, modular configurations for maximum efficiency, versatility and scalability, this next-generation technology makes the A-Series one of the most efficient alkaline electrolysers on the market. The unit is designed from the ground up to accommodate the input fluctuations that come with renewable energy sources.

Its versatile design allows for application across many different market segments for green hydrogen production.

HyProvide™ X-Series



The X-Series will be based on the existing well-proven technology, optimised for use in the growing market for large-scale applications in, for example, industry, energy and heavy-duty transport sectors. Its unique multi-stack concept will allow the electrolyser to reach higher voltages, crucial to utilise mass-produced, low-cost and high-efficiency power electronics from wind and solar markets operating in the 1000-1500V range.

Pre-sales of the X-Series has commenced in 2021.

Large scale **PtX plant**

Green Hydrogen Systems, together with partners in the GreenLab Skive project, are building a large scale PtX plant - the world's first truly green industrial business park. This large scale production and storage of green hydrogen from solar and wind will be partly processed into green methanol for use in the transport sector and partly used directly as a green, zero-emission fuel for heavy transport. The core of the plant is a 'hydrogen factory' based on a 12 MW electrolysis plant (in phase one).

Customer Case

PtX

Customer Case

PtX

A pioneering wind-to-hydrogen project

As part of a pioneering wind-to-hydrogen project, Green Hydrogen Systems' electrolyser was connected to a Siemens Gamesa 3 MW wind turbine near Brande, Denmark. Instead of feeding the power grid, the wind turbine feeds electricity into a GHS HyProvide A-Series electrolyser, which converts the electricity into hydrogen that will be stored for subsequent distribution and use as a fuel for hydrogen-powered buses, taxis and cars.

Financial **review**

Basis of preparation
The Company has prepared its financial statements for 2020 in accordance with IFRS, using 1 December 2019 as the transition date to IFRS. The Company has further changed its financial reporting period to 1 January - 31 December 2020. The comparative figures in the financial statements only include 1 - 31 December 2019 (1 month). Therefore, in order to present financial information that reflect the operations of the business conducted by the Company and its actual development over the years, pro forma financial information for 1 January - 31 December 2018 and 1 January - 31 December 2019 has been included in the financial highlight and related financial review. The pro forma financial information has been prepared in accordance with IFRS, as if the Company has used 1 January 2018 as the transition date to IFRS.

Revenue
In 2020, Green Hydrogen Systems reported a total revenue and other operating income of DKK 12.2 million, compared to DKK 16.1 million in 2019. The decrease in total revenue and other operating income was due to postponement of delivery of orders to 2021, partly due to Covid-19 related travel restrictions.

Revenue from customer contracts was DKK 9.4 million in 2020, down from DKK 14.2 million in 2019, while other operating income was DKK 2.8 million, up from DKK 1.9 million in 2019. Other operating income comprises grants and subsidies for development projects, amongst others from the Danish Energy Agency and Innovation Fund Denmark.

EBITDA
In 2020, EBITDA was a loss of DKK 69.6 million, compared to a loss of DKK 11.7 million in 2019, mainly due to a significant increase in employee cost and other operating expenses. Employee costs increased to DKK 39.6 million from DKK 8.7 million in 2019 primarily as a result of the organizational ramp-up. Other operating expenses, mainly related to facilities, sales and marketing and administration, increased to DKK 35.6 million from DKK 7.5 million.

Loss for the year
Loss for the year in 2020 was DKK 73.2 million compared to a loss of DKK 9.7 million in 2019.

Cash flow
Net cash flow from operating activities in 2020 was minus DKK 25.2 million compared to minus DKK 21.2 million in 2019 primarily affected by an increase in loss for the year. An improvement in net working capital to DKK 31.3 million from minus DKK 11.4 million in 2019 as a result of increasing accounts payables and other payables.

Net cash flow from investing activities was minus DKK 31.6 million compared to minus DKK 1.9 million in 2019 mainly due to investments related to Green Hydrogen Systems-owned test facilities, test and production equipment as well as increased development activities.

Balance sheet
Total non-current assets at 31 December 2020 were DKK 57.8 million compared to DKK 9.7 million end of 2019. The development was primarily driven by an increase in intangible assets due to an increase in development activities and technology, an increase in property, plant and equipment due to test building and test equipment, an increase in right-of-use assets due to lease of the new domicile, and an increase in deposits due to lease of a new domicile.

Total current assets were DKK 175.1 million at 31 December 2020 compared to DKK 33.3 million end of 2019. Cash and cash equivalents increased to DKK 156.0 million from DKK 9.4 million end of 2019 due to significant proceeds from borrowings, including loans from A.P. Møller Holding and existing shareholders.

Total equity at 31 December was DKK minus 4.1 million compared to DKK 20.5 million end of 2019. Changes are due to the loss for the period of DKK 73.2 million, a capital increase of DKK 35.8 million, and value adjustments to warrants of DKK 13.3 million.

Outlook 2021

Revenue[1]

40 to 60 DKK million

Gross profit margin[2]

approx. 10-15%

EBITDA

-90 to -100 DKK million

[1] Revenue from customer contracts
[2] Gross profit defined as revenue from customer contracts less direct product and labour costs.

Customer Case

Refueling station

Hydrogen powered **city buses in Aalborg**

Three hydrogen-powered buses were taken into public transportation service in Aalborg, Denmark in the spring of 2020. The fuel cell emission free electric buses are fueled by hydrogen produced on-site at the refueling station on a GHS HyProvide A-Series based on solar power. The hydrogen buses are estimated to save about 60,000 liters of diesel fuel each year and contribute to a significant reduction of CO_2 emissions.

Swedish cars running on hydrogen

In Mariestad, Sweden, cars have since 2019 been running on hydrogen produced on-site on the scalable GHS HyProvide A-Series based on energy from solar panels placed on the site of the refueling station. In addition to a few private vehicles, the hydrogen powered cars are mainly cars from the municipality of Mariestad, who were looking for a solution to replace fossil fueled service vehicles.

Customer Case

Refueling station

Sustainability

Based on our vision to pioneer the field of green hydrogen to drive a sustainable global energy transition, it is at the core of Green Hydrogen Systems to contribute to curb climate change.

Climate change is the defining issue of today's society, and immediate actions are required in respect of shifting to renewable energy sources. We are committed to foster affordable green hydrogen for the purpose of swiftly adapting to renewable energy utilization.

Our assembly-based manufacturing ensures a less complex production process, and thereby a reduced environmental footprint. An ISO 14001 certification process is initiated to implement new standard for our environmental performance.

Health and safety is the uncompromising priority number one in all aspects of our activities. We continuously promote an organizational culture with a 'take care' safety mindset in order to sustain awareness and actions for a safe working environment. We monitor safety on a daily basis, and register and handle possible incidents to track and improve health and safety aspects. We expect to obtain the ISO 45001 certification for occupational health and safety systems in 2021.

Quality assurance is also an integral part of our activities from product development to sourcing through production and to sales and service. A new ERP system has been implemented to serve as a backbone for proactive quality control processes, including control plans and traceability in supply chain, production, testing, delivery and commissioning. We expect to receive the ISO 9001 certification for quality management system standards in 2021.

To ensure compliance with the rules and regulations applicable to the company and our business, we have established internal policies and safety guides for our employees. In addition, we have policies in place to prevent unethical business conduct and to ensure compliance with all applicable anti-corruption and anti-bribery regulations.

> **"Health and safety is the uncompromising** priority number one in all aspects of our activities."

Green Hydrogen Systems believes that diverse perspectives and ways of working create the best possible decisions and results required for fulfilling our mission and executing on our strategy. A diverse workforce brings many advantages to the organisation, from increased creativity and innovation to better problem solving. The starting point is providing equal opportunity for people of all ages, genders, nationalities, religions, skin color, political opinions, and abilities. As of 2020, the underrepresented gender is female and constituted 11.5% of the workforce. The Board of Directors consists of seven men and one woman. The target is to have minimum 40% female members of the Board of Directors elected by the annual general meeting in 2024.

Corporate **Governance**

Green Hydrogen Systems is committed to exercising good corporate governance and strives to comply with the corporate governance guidelines issued by Active Owners Denmark. These guidelines are available on www.aktiveejere.dk

The company has a two-tier governance structure consisting of the Board of Directors and the Executive Management. The two bodies are separate and have no overlapping members.

The Executive Management undertakes the operational management of the company, whereas the Board of Directors determines the overall strategy and acts as a sparring partner to the Executive Management.

Risk management is an essential and natural part of the realization of the company's objectives and strategy. Risk management is therefore seen as an integrated part of the daily activities and execution of the strategy, and the company continuously develops risk management policies to manage and mitigate risks associated with the business and operations.

The Board of Directors consist of eight members and has appointed a Chairperson and a Vice Chairperson. Five of the members are regarded as independent. The Board of Directors represents broad international business experience and competencies considered to be relevant for Green Hydrogen Systems.

The Board of Directors meets 6-8 times a year and holds extraordinary meetings when required. In 2020, 15 board meetings were held.

On an annual basis, the Board of Directors will conduct an evaluation of the effectiveness, performance, achievements and competencies of the Board of Directors, including an evaluation of the performance of each individual board member and of the cooperation with the Executive Management.

The Board of Directors contemplate to set up an Audit Committee. The purpose of the Audit Committee includes monitoring the financial reporting process, the company's internal control and risk management systems and the cooperation with the independent auditors.

The Board of Directors contemplate to set up a Remuneration and Nomination Committee. The purpose of Remuneration and Nomination Committee includes reviewing and updating the company's remuneration policy, preparation of remuneration report and ensuring that appropriate plans and processes are in place for nomination of candidates to the Board of Directors, the Executive Management and the board committees.

Green Hydrogen Systems is owned by Nordic Alpha Partners, with around 58.9% of the share capital, Norlys Holding A/S, with around 18.7% of the share capital and Investeringsselskabet af 19. maj 2014 with around 7.9% share capital. Other existing shareholders together hold the remaining part of the share capital.

Executive Management
and Board of Directors

Executive Management

Sebastian Koks Andreassen
CEO

Danish, born 1973

With Green Hydrogen Systems as CEO since 2020

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

Kenneth Bergstrøm-Andersen
CFO

Danish, born 1963

With Green Hydrogen Systems as CFO since 2020

Previous experience:
Dovista (VP Finance), Tvilum (Interim CFO), Jeld-Wen (regional CFO), Tajco Group (CFO)

Board of Directors

Thyge Boserup
Chairperson (Independent)

Danish, born 1970

Other positions:
ReNew Advisory

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

Troels Øberg
Vice Chairperson

Danish, born 1978

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

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

Lars Valsøe Bertelsen
(Independent)

Danish, born 1967

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

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

Executive Management and **Board of Directors**

Board of Directors (continued)

Christian Clausen

Danish, born 1955

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

Previous experience:
Nordea (Group CEO)

Thomas Thune Andersen
(Independent)

Danish, born 1955

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

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

Karen-Marie Katholm
(Independent)

Danish, born 1967

Other positions:
DuPont Nutrition & Biosciences (Global Integrated Operations Leader), Nordic Transport Group (board member), Terma (board member)

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

Jakob Fuhr Hansen

Danish, born 1974

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

Previous experience:
Partner Vækstfonden, Microshade (Chairperson)

Simon Krogsgaard Ibsen
(Independent)

Danish, born 1987

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

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

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Management's **Statement**

The Board of Directors and the Executive Management have today considered and adopted the Annual Report of Green Hydrogen Systems A/S for the financial year 1 January – 31 December 2020.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish financial statements Act.

In our opinion, the financial statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2020.

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.

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

Kolding, 7 April 2021

Executive Management

Sebastian Koks Andreassen

Kenneth Bergstrøm-Andersen

Board of Directors

Thyge Boserup (Chairperson)

Troels Øberg (Vice chairperson)

Lars Valsøe Bertelsen

Christian Clausen

Thomas Thune Andersen

Jakob Fuhr Hansen

Simon Krogsgaard Ibsen

Karen-Marie Katholm

Independent Auditor's Report

To the Shareholders of Green Hydrogen Systems A/S

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the financial statements of Green Hydrogen Systems A/S for the financial year 1 January - 31 December 2020, which comprise income statement and statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Management's Responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 in preparing the financial statements 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 contents 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.

Copenhagen, 7 April 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Jacob Brinch
State Authorised Public Accountant
mne35447

Statement of **profit or loss**

DKK '000	Notes	2020	December 2019
Revenue from contracts with customers	3, 4	9,433	0
Other operating income	8	2,793	74
Total revenue & operating income		**12,226**	**74**
Changes in inventory of finished goods and work in progress		36	0
Raw materials and consumables used		(17,208)	(435)
Work performed by the Company and capitalised		10,485	300
Employee costs	5	(39,571)	(1,112)
Other operating expenses	9	(35,585)	(562)
Operating profit/(loss) before depreciation, amortisation and impairment losses (EBITDA)		**(69,617)**	**(1,735)**
Depreciation and amortisation	6	(3,072)	(46)
Operating profit/(loss) (EBIT)		**(72,689)**	**(1,781)**
Financial income	10	2	0
Financial expenses	11	(2,861)	(0)
Profit/(loss) before tax		**(75,548)**	**(1,781)**
Income tax	12	2,307	220
Profit/(loss) for the period		**(73,241)**	**(1,561)**
Earnings per share attributable to shareholders	23	**(2.47)**	**(0.11)**
Diluted earnings per share attributable to shareholders	23	**(2.47)**	**(0.11)**

Statement of comprehensive income

DKK '000	Notes	2020	December 2019
Profit/(loss) for the year		(73,241)	(1,561)
Other comprehensive income for the period		0	0
Total comprehensive income for the period		**(73,241)**	**(1,561)**

Balance sheet

DKK '000	Notes	31 December 2020	31 December 2019	1 December 2019
Intangible assets	13	16,459	7,011	6,693
Property, plant and equipment	14	20,635	195	203
Right-of-use assets	16	14,535	370	0
Deposits		6,205	45	45
Total non-current assets		**57,834**	**7,621**	**6,941**
Inventories	17	7,611	8,016	7,312
Trade receivables	18, 19	4,052	12,601	11,124
Income tax receivables		2,527	1,375	1,154
Prepayments		227	226	0
Other receivables		4,694	1,658	1,389
Cash and cash equivalents		155,953	9,412	15,181
Total current assets		**175,064**	**33,288**	**36,160**
Total assets		**232,898**	**40,909**	**43,101**

Balance **sheet**

DKK '000	Notes	31 December 2020	31 December 2019	1 December 2019
Share capital	20	36,805	22,204	22,204
Share premium		39,328	18,115	18,115
Reserve for development costs		12,147	5,002	4,741
Accumulated deficit		(92,357)	(24,787)	(22,974)
Total equity		**(4,077)**	**20,534**	**22,086**
Borrowings	21, 22	170,287	3,315	3,310
Lease liabilities	16, 22	12,303	133	0
Provisions	24	0	226	226
Other payables		1,350	267	0
Total non-current liabilities		**183,940**	**3,941**	**3,536**
Borrowings	21, 22	4,089	509	509
Trade payables	22	25,358	5,641	4,887
Lease liabilities	16, 22	2,228	239	0
Contract liabilities	19	7,889	5,645	4,668
Deferred income	8	3,239	3,374	3,330
Provisions	24	984	419	419
Other payables		9,248	607	3,666
Total current liabilities		**53,035**	**16,434**	**17,479**
Total liabilities		**236,975**	**20,375**	**21,015**
Total equity and liabilities		**232,898**	**40,909**	**43,101**

Statement of **changes in equity**

DKK '000	Notes	Share capital	Share premium	Reserve for development costs	Accumulated deficit	Total equity
Equity at 1 December 2019		**22,204**	**18,115**	**4,741**	**(22,974)**	**22,086**
Profit /(loss) for the period		0	0	261	(1,822)	(1,561)
Other comprehensive income		0	0	0	0	0
Total comprehensive income for the period		**0**	**0**	**261**	**(1,822)**	**(1,561)**
Transactions with owners in their capacity as owners						
Share-based payments	7	0	0	0	9	9
Total transactions with owners		**0**	**0**	**0**	**9**	**9**
Equity at 31 December 2019		**22,204**	**18,115**	**5,002**	**(24,787)**	**20,534**
Profit /(loss) for the year		0	0	7,145	(80,386)	(73,241)
Other comprehensive income		0	0	0	0	0
Total comprehensive income for the period		**0**	**0**	**7,145**	**(80,386)**	**(73,241)**
Transactions with owners in their capacity as owners						
Capital increase, cash		1,237	1,168	0	0	2,405
Exercise of warrants		739	0	0	0	739
Conversion of loan into shares		13,645	20,045	0	0	33,690
Cancellation of treasury shares		(1,020)	0	0	(30)	(1,050)
Share-based payments	7	0	0	0	12,846	12,846
Total transactions with owners		**14,601**	**21,213**	**0**	**12,816**	**48,630**
Equity at 31 December 2020		**36,805**	**39,328**	**12,147**	**(92,357)**	**(4,077)**

Cash flow **statement**

Cash flow statement

DKK '000	Notes	2020	December 2019
Profit/(loss) for the period		(73,241)	(1,561)
Changes in net working capital	31	31,307	(3,694)
Adjustments	31	15,957	(162)
Interests received		2	0
Interests paid		(572)	(30)
Income taxes paid/received	12	1,375	0
Net cash flow from operating activities		**(25,172)**	**(5,447)**
Payment for property, plant and equipment	14	(20,647)	0
Payments for development cost and other intangible assets	13	(10,978)	(301)
Net cash flow from investing activities		**(31,625)**	**(301)**
Principal elements of lease payments	28	(1,008)	(21)
Proceeds from borrowings	28	202,997	0
Repayment of borrowings	28	(745)	0
Proceeds from share issues		3,144	0
Purchase of treasury shares		(1,050)	0
Cash flow from financing activities		**203,338**	**(21)**
Net cash flow for the period		**146,541**	**(5,769)**
Cash and cash equivalents, beginning of the year		9,412	15,181
Cash and cash equivalents at end of the period		**155,953**	**9,412**

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1. Accounting policies

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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional Danish disclosure requirements applying to companies of reporting class B with additional choice of specific provisions foraccounting Class C enterprises.

The annual report has been prepared under the historic cost convention, except for derivative financial instruments that are measured at fair value.

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

Change in the financial period

This annual report covers the period 1 January to 31 December 2020. As a result of a change in the financial period the comparative figures for the income statement cover the period 1 December to 31 December 2019 and the balance sheet items as at 1 December 2019 and 31 December 2019. As the current financial period covers 12 months the income statement items are not directly comparable with the comparative figures, as the previous period for December 2019 only covers a 1-month period.

First time adoption of IFRS

This annual report is the first annual report that is presented in accordance with IFRS. The comparative figures in the income statement for 1 December to 31 December 2019 and the balance sheet items as at 1 December 2019 and 31 December 2019 were restated in accordance with IFRS. The accounting policies applied are based on the standards and interpretations effective for 2020. No standards or interpretations which are not yet effective have been adopted.

The disclosures required by IFRS 1 *First-time Adoption of International Financial Reporting Standards*, concerning the transition from the Danish Financial Statements Act to IFRS, are provided in note 32.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency i.e. DKK’).

Transactions and balances

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

Segment reporting

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

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

Revenue

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

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

Customer payments for electrolyser solutions are normally made in installments based on contractual defined milestones and payment terms. Customer payments for maintenance service are normally due in advance of the maintenance service period. Customer payments are normally due

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

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

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

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

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

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

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

Other operating income
Other operating income comprises items of a secondary nature to the main activities of the Company, including gains on sale of property, plant and equipment. The amount of government grants recognised in the income statement during the year is also included, irrespectively of when the grants were received. Further information about the Company's accouting policy for grants, see note 8.

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

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

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

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

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

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

Financial income and expenses
Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income, interest expenses calculated using the effective interest rate method, fair-value adjustment of exit-payment derivatives and conversion option liability etc.

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

Intangible assets

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

In progress and completed development projects

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

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

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

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

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

Development projects - In progress:	None
Development projects - Completed:	3-5 years

Other intangible assets

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

Property, plant and equipment

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

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

Other plant, fixtures and equipment:	3 - 5 years
Leasehold improvements:	3 - 15 years

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

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

Leases

The Company's leases include properties and vehicles.

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

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

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

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

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

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

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

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

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

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

Development projects in progress are tested for impairment annually.

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

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

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

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

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

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

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

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

Share premium
The reserve include premium on issue of shares.

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

Earning per share
Basic earnings per share is calculated by dividing:

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

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

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

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

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

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

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

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

Borrowing costs

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

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

Trade and other payables

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

Provisions

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

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

Contract liabilities

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

Share-based payments

Share-based compensation benefits are provided to board members, executive management and other employees.

The warrant programs and the restricted stock unit program are classified as equity arrangements. As such, the fair value of the warrants and restricted stock units granted under the programs are recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the grant date fair value of the warrants and restricted stock units.

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

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

Government grants

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

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

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

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

Cash flow statement

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

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

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets and property, plant and equipment.

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

Key Figures

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

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the reporting periods in which they become mandatory or in future periods.

2. Critical accounting estimates and judgements

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

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

Critical accounting estimates

Critical accounting estimates are expectations of the future based on assumptions that to the extent possible are supported by historical trends or reasonable expectations. The assumptions may change to adapt to the market conditions and changes in economic factors etc. The Company 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 2020, the Company has unrecognised deferred tax assets of DKK 14,462 thousand, hereof the tax value of tax losses carried forward amounts to DKK 13,071 thousand (tax loss carry-forward of DKK 59,416 thousand). The Company has incurred the losses in recent years as a consequence of expanding the Company and its operations. The losses can be carried forward indefinitely and have no expiration date.

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

Impairment of capitalized development costs

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

In addition, the Company tests annually the recoverable amounts of the development projects in progress to ensure that the capitalized costs have not over-run their operational or commercial value. Management expects the market for electrolysis systems will grow significantly in the coming years. The key drivers and indicators of momentum in the market for green hydrogen include societal and political pressure to limit CO_2 emissions, regulatory push in national hydrogen roadmaps as well as decreasing cost of green hydrogen. As of 31 December 2020, the carrying amount of development projects in progress is DKK 11,899 thousand (2019: DKK 6,413 thousand). The recoverable amount is based on a discounted cash flow model reflecting Management's expectation about the future net cash flow, including the expected costs to complete the projects.

Fair value of derivative financial instruments

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

Critical accounting judgements

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

Revenue recognition

When the customer contracts include multiple promises to be delivered to the customer, Management identifies the performance obligations included in the contract. Contracts for delivery of electrolysers do normally also include commissioning of the equipment on the customer's location. Under IFRS 15, each distinct good or service that an entity promises to transfer is a performance obligation.

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

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

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

Development costs

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

Share-based payments

The Company has introduced a warrant program, which entitles the warrant holder to subscribe for

A shares in the Company when certain conditions are met, cf. note 7. Upon exercise, the Company is entitled to demand cash settlement of the warrant, so that instead of the warrant holder subscribing for and receiving shares in the Company, the warrant-holder will receive cash settlement in an amount equal to the net value of the warrant.

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

3. Operating segments

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

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

The CODM furthermore monitors revenue based on the geography (based on location of the respective customers), product offering and application. Revenue is attributed to the geographical market segments Europa, Asia-Pacific, and rest of the world.

The following table displays external revenue by geographical areas:

DKK '000	2020	December 2019
Europe	9,433	0
Asia-Pacific	0	0
Rest of the world	0	0
Total Revenue	**9,433**	**0**

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

DKK '000	2020	December 2019
Denmark	8,987	0
Sweden	12	0
Other	434	0
Total Revenue	**9,433**	**0**

Revenues of approximately DKK 7,983 thousand are derived from a single external customer in 2020.

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

4. Revenue from contracts with customers

The following table displays revenue by product offering:

DKK '000	2020	December 2019
Product revenue	5,303	0
Service and other revenue	4,130	0
Total revenue by product offering	**9,433**	**0**
Revenue recognised at a point in time	8,618	0
Revenue recognised over time	815	0

The following table displays revenue by product application:

DKK '000	2020	December 2019
Power-to-X*	8,810	0
Transportation	523	0
Industry	100	0
Total revenue by product application	**9,433**	**0**

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

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

5. Employee costs

DKK '000	2020	December 2019
Wages and salaries	23,462	964
Pensions, defined contribution plans	2,686	113
Share-based payment	12,845	9
Other social security costs	178	3
Other employee costs	400	23
Total employee costs	**39,571**	**1,112**
Average number of employees	37	18

Key management compensation

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

DKK '000	Executive Board	Board of Directors	Total key management personnel
2020			
Wages, salaries and board fees	1,555	20	1,575
Pensions, defined contribution plans	195	0	195
Share-based payment	5,098	987	6,085
Total remuneration	**6,848**	**1,007**	**7,855**
December 2019			
Wages, salaries and board fees			81
Pensions, defined contribution plans			24
Share-based payment			2
Total remuneration			**107**

For December 2019, the remuneration to the Executive Management and Board of Directors have not been presented separately in accordance with the provisions in the Danish Financial Statements Act, § 98b, section 3.

6. Depreciation and amortisation

DKK '000	2020	December 2019
Amortisation of intangible assets	2,042	17
Depreciation on property, plant and equipment	207	9
Depreciation on right of use assets	823	20
Total	**3,072**	**46**

7. Share-based payment plans

The Company has introduced share-based payment programs to members of the Board of Directors, Executive Management and selected key employees. The Company's current warrant program was introduced in 2020. The Company previously introduced two warrant programs in 2016.

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

2020 warrant program

The Company has introduced share-based payment programs to members of the Board of Directors, Executive Management and selected key employees. The establishment of the program was approved by the shareholders in 2020.

The program was established with the purpose to create further incentive to the participants to work for and contribute to future value added to the Company, thus creating a positive development in the market value of the Company's share. Further, the program is to be instrumental to retaining the participants in the Company.

The participants are under the program granted warrants in the Company for no consideration, which entitle the warrant holder to subscribe for A shares in the Company of a nominal value of DKK 1 without preemption right for the shareholders of the Company. Participation in the warrant program is at the board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The warrants are vesting over a period of two years, proportionally once a year. The exercise prices of the warrants are listed below for the respective years.

Vested warrants are exercisable only upon an exit event and conditional on the warrant holder's employment or engagement with the Company have not terminated. However, vested warrants are exercisable only until the expiration date as specified in the table further below. Upon the occurrence of an exit-event, all warrants will become fully vested conditional on the holder's continuing employment. The cost of the warrant program is recognised over the expected vesting period considering the impact from accelerated vesting and expected time to exit.

Upon the warrant holder's exercise, the Company is entitled to demand cash settlement of the warrant, so that instead of the warrant holder subscribing for and receiving shares in the Company, the warrant holder will receive cash settlement in an amount equal to the net value of the warrant. As further described in note 2, the warrant program is classified as an equity-settled program.

Set out below are summaries of warrants granted under both warrant agreements:

DKK '000	Weighted average exercise price per warrant	Number of warrants (Thousands)	Weighted average fair value per warrant (determined on grant date)
2020			
As at 1 January	0	0	0
Granted during the year	2.47	3,388	7.16
As at 31 December	**2.47**	**3,388**	**7.16**
Vested and exercisable at 31 December		0	

During 2020, no warrants were exercised or expired under the 2020 warrant program.

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

DKK '000	Expiry date	Exercise price	Warrants 31 December 2020 (thousands)
Grant date			
21 August 2020	28 August 2029	2.47	1,439
21 August 2020	31 December 2029	2.47	796
21 August 2020	25 February 2030	2.47	265
1 September 2020	31 August 2030	2.47	612
1 November 2020	31 December 2030	2.47	276
		2.47	**3,388**

Weighted average remaining contractual life of warrants outstanding at the end of period (years) is 9.07

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

The average model inputs for the warrants granted during the year ended 31 December 2020 included:

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

The expected price volatility is based upon an analysis of the historical volatility of peer-group public companies and factors specific to Green Hydrogen Systems A/S. The share price of the class A-share is determined using interpolation between two data points related to actual capital transactions that occurred in 2020.

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

RSU program

The RSU program was introduced on 1 November 2020 and involves the Executive Management member. The program entitles the Executive Management member to receive shares in the Company, without consideration, at the time the currently controlling shareholder, does no longer hold any shares in the Company (exit). The Executive Management member is entitled to receive shares corresponding to 0.75% of the share capital at the time of exit. The program is contingent on the Executive Management member still being employed at the time of exit.

The grant date fair value of the RSU program was DKK 7,395 thousand (based on 750,000 shares expected to be provided) of which DKK 562 thousand was recognized in the income statement for 2020. The cost is recognized on a straight line basis, as the services are rendered, over the expected service period.

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

Previous warrant programs

On 29 November 2016, the Company introduced its previous warrant program to selected key management personnel. In total 443,460 warrants were granted of which 147,820 warrants vested immediately. The remaining warrants were vesting in two tranches from 2016 to 31 December 2020 subject to the Company reaching certain non-financial targets. The total share-based payment cost to be recognised during 2018 - 2020 amounts to approximately DKK 123 thousand based on an average grant-date fair value of DKK 0.69. During 2020, the entire program was cancelled in connection with introducing the Company's current warrant program. Accordingly, no warrants are outstanding as of 31 December 2020 under this program.

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

Expenses arising from share-based payment transactions

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

DKK '000	2020	December 2019
Equity-settled programs	12,845	9

8. Other operating income and deferred income

DKK '000	2020	December 2019
Government grants	2,793	74
Total	**2,793**	**74**
Government grants recognised within other operating income relate to the following:		
Government grants related to income	1,751	74
Government grants related to assets, amortized	1,042	0
Total	**2,793**	**74**

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	2020	December 2019
Government grants at beginning of period	3,374	3,330
Grants received	907	44
Grants recognised as income	(1,042)	0
Government grants as of 31 December	**3,239**	**3,374**

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

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

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

DKK '000	2020	December 2019
Government grants receivable recognised in other operating income, and presented within other receivables in the balance sheet	624	1,221

9. Other operating expenses

DKK '000	2020	December 2019
Sales and marketing costs	6,722	3
Administration costs	2,172	161
Consultancy services costs	21,198	241
Other general costs	5,493	157
Total	**35,585**	**562**

Consultancy services costs incurred in 2020 amounting to DKK 18,613 thousand (December 2019: nil) relate to non-recurring cost for external consultants in respect of raise of funding and market research. Other general costs have increased over the period due to the increase of business activities and number of employees.

10. Financial income

DKK '000	2020	December 2019
Foreign exchange rate gains	2	0
Total	**2**	**0**

11. Financial expenses

DKK '000	2020	December 2019
Interest expense on borrowings	2,177	31
Interest expense on lease liabilities	179	2
Interest on financial liabilities measured at amortised cost	2,356	33
Fair value loss on derivatives at fair value through profit or loss	999	0
Foreign exchange rate losses	18	1
	3,373	34
Of which capitalized	(512)	(34)
Total	**2,861**	**0**

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applied to the Company's general borrowings during the year, in this case 25 % (December 2019: 8%) The Company has not obtained specific borrowings for the purpose of financing its development projects.

12. Tax on profit for the period

DKK '000	2020	December 2019
Current tax on loss for the period	2,307	220
Deferred tax	0	0
Total tax on loss for the period	**2,307**	**220**
Aggregate current and deferred tax arising in the year and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: Share-based payment	0	0
Reconciliation of effective tax rate		
Calculated 22.0% tax on loss for the period before income tax	(16,620)	(392)
Tax effects of:		
Permanent differences between tax and accounting purposes:		
Non-deductible part of consultancy services, cf. note 9	4,356	0
Other	(564)	1
Change in unrecognized deferred tax asset	10,522	171
Total adjustments	**14,314**	**172**
Income tax as included in the statement of profit or loss	(2,307)	(220)
Effective tax rate	**3%**	**12%**

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

13. Intangible assets

Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are included in the income statement within their relevant nature. In 2020, this amounted to DKK 9,388 thousand (December 2019: DKK 297 thousand) including indirect production costs.

Development projects in progress includes the Company's ongoing developement activities related to electrolysers and electrods. Development projects in progress are not amortised but are tested for impairment annually. There have been no impairments related to these in progress development projects for 2020 (December 2019: nil).

DKK '000	Completed development projects	Other intangibles	Development projects in progress	Total
Cost:				
At 1 December 2019	0	1,025	6,079	7,104
Additions during the period	0	0	334	334
At 31 December 2019	**0**	**1,025**	**6,413**	**7,438**
Accumulated amortisation and impairment:				
At 1 December 2019	0	(410)	0	(410)
Amortisation for the period	0	(17)	0	(17)
At 31 December 2019	**0**	**(427)**	**0**	**(427)**
Carrying amount 31 December 2019	**0**	**598**	**6,413**	**7,011**
Cost:				
At 1 January 2020	0	1,025	6,413	7,438
Additions during the year	0	493	10,997	11,490
Transferred	5,511	0	(5,511)	0
At 31 December 2020	**5,511**	**1,518**	**11,899**	**18,928**
Accumulated amortisation and impairment:				
At 1 January 2020	0	(427)	0	(427)
Amortisation for the year	(1,837)	(205)	0	(2,042)
At 31 December 2020	**(1,837)**	**(632)**	**0**	**(2,469)**
Carrying amount 31 December 2020	**3,674**	**886**	**11,899**	**16,459**

14. Property, plant and equipment

DKK '000	Leasehold improvements	Other fixtures and fittings, tools and equipment	Total
Cost:			
At 1 December 2019	81	513	594
Additions during the period			0
At 31 December 2019	**81**	**513**	**594**
Accumulated amortisation and impairment:			
At 1 December 2019	(31)	(360)	(391)
Depreciation for the period	(2)	(7)	(9)
At 31 December 2019	**(33)**	**(367)**	**(400)**
Carrying amount 31 December 2019	**48**	**146**	**194**
Cost:			
At 1 January 2020	81	513	594
Additions during the year	10,117	10,530	20,647
At 31 December 2020	**10,198**	**11,043**	**21,241**
Accumulated amortisation and impairment:			
At 1 January 2020	(33)	(367)	(400)
Depreciation for the year	(22)	(184)	(206)
At 31 December 2020	**(55)**	**(551)**	**(606)**
Carrying amount 31 December 2020	**10,143**	**10,492**	**20,635**

15. Deferred tax

As of 31 December 2020, the Company has a deferred tax asset of DKK 14,462 thousand (31 December 2019: DKK 2,069 thousand) which has not been recognised in the balance sheet. The deferred tax asset include tax losses to be carried forward of DKK 59,416 thousand (2019: DKK 13,164 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 2020	31 December 2019
Deferred tax		
Deferred tax at beginning of period	0	0
Deferred tax recognised in the statement of profit or loss	0	0
Deferred tax recognised directly in equity	0	0
Deferred tax at 31 December	**0**	**0**
Deferred tax relates to:		
Intangible assets	(3,512)	(1,473)
Deferred income	713	742
Right of use assets	(3,198)	(81)
Lease liabilities	3,197	82
Warrants under share-based payment programs	4,335	0
Tax losses carried forward	13,071	2,896
Other	(144)	(97)
Total	**14,462**	**2,069**
Deferred tax asset not recognized in the balance sheet	14,462	2,069
Deferred tax asset, recognized	**0**	**0**

16. Leases

The Company's lease agreements relate primarily to leases of properties and vehicles. Leases of vehichles are typically made for fixed periods of 3-4 years and do normally not include extension options. Leases of properties are negotiated on an individual basis and contain a wide range of different terms and conditions. The property leases are in general of a short-term natur, however a few leases have an initial term of up to 15 years.

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 2020	31 December 2019
Right-of-use assets		
Properties	12,285	370
Vehicles	2,250	0
Total	**14,535**	**370**
Lease liabilities		
Current	2,228	239
Non-current	12,303	133
Total	**14,531**	**372**
Additions to the right-of-use assets were	15,167	393

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

DKK '000	2020	December 2019
Depreciation charge of right-of-use assets		
Properties	(381)	(21)
Vehicles	(442)	0
Total depreciations	**(823)**	**(21)**
Interest expense (included in finance expenses)	179	2
Expense relating to short-term leases (included in other operating expenses)	868	230
The total cash outflow for leases	2,055	23

The total future undiscounted cash outflows relating to leases that have not yet commenced amount to DKK 28,500 thousand, which falls due as follows:

DKK '000	Less than 1 year	Between 1 and 5 year	More than 5 years	Total
	1,742	7,600	19,158	28,500

As of 31 December 2019, the Company had not entered into any lease agreements which had not commenced at the end of the reporting period.

17. Inventory

DKK '000	31 December 2020	31 December 2019
Inventory		
Raw materials	4,867	5,427
Work in progress	0	2,589
Finished goods	2,744	0
Total	**7,611**	**8,016**

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

Inventories recognised as an expense during the year ended 31 December 2020 amounted to DKK 17,208 thousands (December 2019: DKK nil). These were included in "changes in inventory of finished goods and work in progress" and "raw materials and consumables used".

Write-downs of inventories to net realisable value amounted to DKK 4.410 thousands (December 2019: DKK 41 thousands). These were recognised as an expense during the period and included in "changes in inventory of finished goods and work in progress".

18. Trade receivables

DKK '000	31 December 2020	31 December 2019	1 December 2019
Trade receivables			
Trade receivables	4,052	12,601	11,124

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

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

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

To assess the credit risk of a customer, prior to entering into a binding sales agreement, it is the Company's policy to evaluate the customer's credit rating provided by external credit rating agencis. In addition, the Company's contracts for delivery of electrolysers include milestone payments. At time of delivery, the Company has normally received prepayments of up to 90% of the total consideration, which naturally reduces the credit risk on the remaining amout outstanding. The Company has historically not incurred any material losses from trade receivables. The existence of Covid-19 is not expected to have any significant impact on the Company's expected credit losses.

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

19. Contract balances

DKK '000	31 December 2020	31 December 2019	1 December 2019
Contract balances			
Trade receivables	4,052	12,601	11,124
Contract liabilities	7,889	5,645	4,668

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. In addition, some projects have been postponed until after year-end 2020, partly influenced by Covid-19.

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. As no contracts for delivery of electrolysers have a duration over more than 12 months, the entire balance of contract liabilities are recognised within the next 12 months, i.e. within the following year. Accordingly, the entire amount included in the opening balance of contract liabilities have been recognised within the year.

As the Company's contracts for delivery of electrolysers have a duration of one 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.

All service and maintenance contracts are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

20. Share capital

	31 December 2020		31 December 2019	
DKK '000	**Number of shares**	**Nominal value (DKK)**	**Number of shares**	**Nominal value (DKK)**
The share capital comprise:				
A shares	10,231	10,231	9,891	9,891
B shares	26,574	26,574	12,313	12,313
Share capital (fully paid)	**36,805**	**36,805**	**22,204**	**22,204**

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

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

	A Shares		B Shares	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
DKK '000	**Number of shares**	**Number of shares**	**Number of shares**	**Number of shares**
Changes in share capital				
Opening balance	9,891	9,891	12,313	12,313
Capital increase, cash	621	0	616	0
Exercise of warrants	739	0	0	0
Conversion of loan into shares	0	0	13,645	0
Cancellation of treasury shares	(1,020)	0	0	0
Total	**10,231**	**9,891**	**26,574**	**12,313**

No dividends have been declared or paid out for 2020 or December 2019.

21. Borrowings

The Company's borrowings consist of the following:

DKK '000	31 December 2020	31 December 2019
Borrowings		
Convertible loan (debt-host contract)	149,829	0
Conversion option liability	4,591	0
Other loans	19,956	3,824
Total borrowings	**174,376**	**3,824**
Current	4,089	509
Non-current	170,287	3,315
Total borrowings	**174,376**	**3,824**

Convertible loan

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

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

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

Other loans

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

The loans include potential additional payments of a total amount up to DKK 3,750 thousands which are paybale to the Danish Green Investment Fund in certain exit scenarios subject to the equity value of the Company exceeds predefined targets. These embedded derivatives are separated from the debt-host contracts and are presented within current borrowings. At the time of obtaining the first loan in 2018, the exit-payment was estimated to have a fair value of DKK zero. When the second loan was obtained in 2020, the amount allocated to the exit-payment derivative was DKK 2,411 thousand. The remaining proceed of DKK 12,589 thousand was allocated to the debt-host contract (the loan). See note 22 for further information.

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 26.

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 borrowings, lease liabilities and trade payables. The main purpose of these financial liabilities is to finance the Company's operations.

The Company's financial assets include primarily trade receivables 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 and changes in the Company's share price.

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

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

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowings from the Danish Green Investment Fund are floating rate loans, and do therefore expose the Company to cash flow interest rate risk.

The Company is also exposed to interest rate risk from cash balances deposited with banks,which is particularly relevant for 2020 following the drawdown of the convertible loan in December 2020.

It is the Company's policy not the 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	2020	December 2019
Impact on post tax profit and equit		
Interest rate - increase of 100 basis points	1,074	43
Interest rate - decrease of 100 basis points	(1,074)	(43)

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.

Foreign currency risk

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

The Company primarily generates its sales in DKK and EUR. Purchases are also primarily made in DKK and EUR; with only minor purchases made in USD. As further described above in note 21, the Company entered into a convertible borrowing facility, which is denominated in EUR. As of 31 December 2020, the amount drawn under the facility is DKK 154,365 thousand (corresponding to EUR 20,750 thousand). For December 2019, the Company's borrowings were only denominated in DKK. The proceeds received is held in EUR. The Company's exposure to movements in the EUR/DKK exchange rate on borrowings is therefore offset by the EUR cash deposit. Further, as the DKK is pegged against the EUR, the Company's exposure to changes in the DKK/EUR exchange rate is insignificant.

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

Price risk

The Company is exposed to changes in fair value of the conversion option liability, which arises from its own share-price risk (market price of class B shares) as well as the volatility of the share.

The Company's equity and post-tax profit for the period would be impacted as follows from reasonably possible changes in the price of B shares:

DKK '000	2020	December 2019
Impact on post tax profit and equity		
B-share price increase of 10%	(12,120)	0
B-share price decrease of 10%	12,055	0
Volatility of B-share increase by 10%-points	(484)	0
Volatility of B-share decrease by 10%-points	494	0

The sensitivity analysis assumes all other variables remain constant. The impact on post tax profit and equity is based on those financial instruments that were recognised at the respective balance sheet dates.

Credit risk

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

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

The most significant counterparty risk is related to deposit with banks, as the Company's cash balance at 31 December 2020 amounts to DKK 155,953 thousand (2019: DKK 9,412 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.

The carrying amounts represent the maximum credit exposure.

Liquidity risk

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

The Company's policy is to secure adequate liquidity to always meet the planned future financial and operational payment obligations for minimum the next 12 months period. The company has a strong liquidity position, DKK 155,953 thousand, as per 31 December 2020, allowing management to carry out the planned growth strategy. The company monitors the liquidity risk through follow up against plans. If necessary the company will attempt to raise capital through private placements, partnerships, and strategic alliances or from other sources.

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 2020				
Non-derivatives				
Borrowings, current and non-current	918	199,144	3,966	204,028
Trade payables	25,358	0	0	25,358
Lease liabilities	2,283	6,330	12,432	21,045
Total non-derivatives	**28,559**	**205,474**	**16,398**	**250,431**
Derivatives				
Exit-payment	3,750	0	0	3,750
Total derivatives	**3,750**	**0**	**0**	**3,750**
As at 31 December 2019				
Non-derivatives				
Borrowings, current and non-current	797	4,071	0	4,868
Trade payables	5,641	0	0	5,641
Lease liabilities	256	134	0	390
Total non-derivatives	**6,694**	**4,205**	**0**	**10,899**
Derivatives				
Exit-payment	750	0	0	750
Total derivatives	**750**	**0**	**0**	**750**

The exit-payment derivative is included in current borrowings in the balance sheet.

Of the DKK 203,110 thousand disclosed in the 2020 borrowings time bands 'between 1 and 5 years' and 'more than 5 years', the Company is considering early repayment of DKK 22,468 thousand during 2021 (2019: nil).

The maturity analysis is based on the following assumptions:

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

DKK '000	31 December 2020	31 December 2019
Financial assets and liabilities per measurement category		
Financial assets		
Financial assets at amortised cost:		
Trade receivables	4,052	12,601
Cash and cash equivalents	155,953	9,412
Total	**160,005**	**22,013**
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Coversion option liability*	4,591	0
Exit-payment derivative*	3,411	0
Total	**8,002**	**0**
Financial liabilities at amortised cost:		
Trade payables	25,358	5,641
Borrowings, current and non-current	174,376	3,824
Lease liabilities, current and non-current	14,531	372
Total	**214,265**	**9,837**

* Included in borrowings in the balance sheet.

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. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the Company's derivative financial liabilities:

DKK '000	31 December 2020	31 December 2019
Recurring fair value measurements		
Financial liabilities measured at fair value		
Coversion option liability	4,591	0
Exit-payment derivatives	3,411	0
Total	**8,002**	**0**

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

Conversion option liability
The fair value of the conversion option liability is the probability adjusted value of a number of options reflecting possible scenarios for exercising the conversion option. The fair value of the options are based on a Black-Scholes formula with the following significant unobservable inputs:

- Share-price: DKK 13.30 (2019: nil)
- Conversion price: DKK 13.30 (2019: nil)
- Time to maturity: 0.4 - 1 year (2019: nil)
- Volatility: 75.7% (2019: nil)

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

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

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

Exit-payment derivatives
The fair value of the exit-payment derivatives are based on the probability weighted discounted cash flows reflecting possible triggering events, the probability and expected timing.

- Probability weighted cash flows: DKK 3,750,000 (2019: DKK 0)
- Probability weighted time to maturity: 0.33 (2019: nil)

An increase in the probability weighted time to maturity will reduce the fair value of the exit-payment liability. However, Management does at the end of the reporting period not consider any significant change in the expected maturity to be a realistic alternative. The probability weighted cash flows reflects the maximum amount payable, which Management considers being the most realistic outcome.

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

The following table presents the changes in level 3 items for the periods ended 31 December 2020:

DKK '000	Conversion option liability	Exit-payment derivatives	Total
Opening balance 1 January 2020	**0**	**0**	**0**
Borrowings obtained	4,591	2,411	7,002
Losses recognised in financial expenses*	0	999	999
Closing balance 31 December 2020	**4,591**	**3,410**	**8,001**

* Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period

23. Earnings per share

DKK '000	2020	December 2019
Net loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**(73,241)**	**(1,561)**
Basic earnings per share:		
Issued ordinary shares, beginning of period	22,204	13,910
Effect of shares issued, weighted-average	7,487	0
Weighted-average number of ordinary shares used as the denominator in calculating basic earnings per share	29,691	13,910
Basic earnings per share for loss attributable to the ordinary equity holders of the Company	**(2.47)**	**(0.11)**
Diluted earnings per share for loss attributable to the equity holders of the Company	**(2.47)**	**(0.11)**

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

24. Provisions

DKK '000	Warranty
Carrying amount 1 January 2020	**645**
Additional provisions recognised	984
Amounts used during the year	(645)
Carrying amount 31 December 2020	**984**
The Company's provisions are presented as follows in the balance sheet:	
Non-current liabilities	0
Current liabilities	984
Total	**984**

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.

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 reduced cost of capital.

The Company has during 2020 grown significantly and liquidity has been strengthen with establishment of new loans by the end of 2020 as further described above in note 21. The financial policies are being refined on an ongoing basis to support the Company's risk management policies and obejctives. The Company intends to apply all available financial resources for the purposes of current and future business development. The Company does not expect to make dividend payments within the foreseeable future. The Company does not enter into any speculative transactions.

26. Commitments and contingent liabilities

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

DKK '000	31 December 2020	31 December 2019
Floating charge		
Non-current assets		
Property, plant and equipment	10,519	195
Current assets		
Inventories	7,611	8,016
Trade receivables	9,016	12,601
Total current assets pledged as security	16,627	20,617
Total assets pledged as security	**27,146**	**20,812**

The pledges comprise a floating charge provided as security for borrowings from the Danish Green Investment Fund up to a value of DKK 18.9 million (31 December 2019: DKK 3.9 million). The terms restrict the Company for using the assets for other securities.

Contingent liabilities
None

Commitments
None

27. Fee to auditors appointed at the general meeting

DKK '000	2020	December 2019
PwC		
Audit fee	74	0
Tax and VAT services	13	0
Other services	1,801	0
Total	**1,888**	**0**
BDO		
Audit fee	190	0
Tax and VAT services	122	0
Other services	119	0
Total	**431**	**0**

28. Changes in liabilities arising from financing activities

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

DKK '000	1 December 2019	Cash flows	Non-cash changes: New leases*	Non-cash changes: Changes in fair value	Non-cash changes: Other changes**	31 December 2019
Borrowings, current and non-current	3,819	0	0	0	5	3,824
Lease liabilities	0	(21)	393	0	0	372
Total liabilities from financing activities	**3,819**	**(21)**	**393**	**0**	**5**	**4,196**

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

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

29. Related parties

The Company is controlled by Nordic Alpha Partners Fund I K/S, which is also the ultimate controlling party. For December 2019, the Company did not have any parties with controlling interest.

Entities with significant influence over the Company include lenders of the convertible loan, which hold conversion options that are currently exercisable into B shares of the Company. For December 2019, it only included entities with 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 Company has in addition received consulting services from key management personnel amounting to DKK 1,130 thousand (December 2019: nil).

The following transactions were carried through with related parties:

DKK '000	2020	December 2019
Transactions with entities with controlling influence		
Proceeds from loans	65,285	0
Interest accrued on loans	198	0
Conversion of loans to equity	(28,158)	
Outstanding balances with entities with controlling influence		
Convertible loan*	65,285	0
Transactions with entities with significant influence		
Proceeds from loans	123,074	0
Repayment of loans	0	0
Interest accrued on loans	32	0
Conversion of loans to equity	(5,532)	0
	31 December 2020 DKK '000	**31 December 2019 DKK '000**
Outstanding balances with entities with significant influence		
Convertible loan*	123,074	0

* The convertible loan issued in December 2020 is presented within borrowings in the balance sheet. For further information about the terms and conditions for the loan reference is made to note 21.

30. 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.

31. Cash flow specifications

DKK '000	2020	December 2019
Changes to net working capital		
Decrease/(increase) in trade receivables	8,549	(1,477)
Decrease/(increase) in deposits	(6,160)	0
Decrease/(increase) in other assets	(2,631)	(973)
Decrease/(increase) in prepayments	(1)	(227)
Decrease/(increase) in trade payables	19,717	754
Decrease/(increase) in other liabilities	9,589	(2,749)
Decrease/(increase) in contract liabilities	2,244	978
Total	**31,307**	**(3,694)**
Adjustments		
Income tax	(2,307)	(220)
Amortization of intangible assets	2,042	17
Depreciations of tangible assets and right-of-use assets	1,030	29
Share-based payment	12,845	9
Finance expenses, net	2,858	0
Other	(511)	3
Total	**15,957**	**(162)**

32. Transition to IFRS

These financial statements of the Company for the year ended 31 December 2020, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2019, the Company prepared its financial statements in accordance with The Danish Financial Statements Act ('Danish GAAP').

The Company has prepared the financial statements of the Company that comply with IFRS applicable as at 31 December 2020, together with the comparative period data for the year ended 31 December 2019. As the financial reporting period has changed the comparative figures for the income statement covers the period 1 December - 31 December 2019.

In preparing the financial statements of the Company, the opening statement of financial position was prepared as at 1 December 2019.

The disclosures required by IFRS 1 First-time Adoption of IFRS explaining the principal adjustments made by the Company in restating Danish GAAP financial statements are provided below:

	As at 1 December 2019 (date of transition to IFRS)			For December 2019	As at 31 December 2019		
DKK '000	**Assets**	**Liabilities**	**Equity**	**Profit for the year**	**Assets**	**Liabilities**	**Equity**
Reconciliation							
According to the Danish Financial Statement act	**49,151**	**19,591**	**29,560**	**(1,282)**	**46,153**	**17,875**	**28,278**
Correction of errors under previous GAAP:							
Reversal of development projects not meeting the capitalization criteria	(7,900)	(42)	(7,858)	(162)	(8,083)	(62)	(8,021)
Gross presentation of government grants	3,330	3,330			3,374	3,374	0
Reversal of deferred tax asset	(328)		(328)	(140)	(468)		(468)
Reclassification / other	(661)	(887)	226	393	(958)	(1,184)	226
Total correction of errors	**(5,559)**	**2,401**	**(7,960)**	**91**	**(6,135)**	**2,128**	**(8,263)**
IFRS adjustments							
Capitalisation of borrowing costs	488	0	488	34	522	0	522
Lease liabilities	0	0	0	(2)	370	372	(2)
Share-based payments	0	0	0	(9)	0	0	0
Total IFRS adjustments	**488**	**0**	**488**	**23**	**892**	**372**	**520**
Total according to IFRS	**44,080**	**21,992**	**22,088**	**(1,167)**	**40,910**	**20,375**	**20,535**

32. Transition to IFRS (continued)

Notes to the reconciliation from Danish GAAP to IFRS

Correction of errors under previous GAAP

Reversal of development projects and adjustment of related government grants
In connection with the transition to IFRS, the Company has corrected an error related to capitalized development costs, which were not meeting the criteria for capitalization under Danish GAAP. Consequently, as of 1 December 2019 the Company has reversed capitalised development costs of DKK 6,458 thousand, including the effect of government grants received related to those development costs, as these were previously presented on a net basis. For December 2019, the profit for the year is adjusted by DKK (4) thousand, being the net amount of development costs incurred, which are not meeting the capitalization criteria; and the related effect of government grants received, which are recognised as income toghether with the related expenses the grants are intended to compensate. The correction further includes the related impact on tax and deferred tax.

Government grants received related to development costs, which meet the capitalisation criteria, have been recognised as deferred income in the balance sheet by DKK 3,330 thousand as of 1 December 2019 and by DKK 3,374 thousand as of 31 December 2019. The amounts included in deferred income will be recognised in other income in subsequent period as the related capitalized development costs are amortized. The Company has under IFRS chosen an accounting policy to present government grants related to assets on a gross basis, cf. note 1. The Company previously presented such grants and the related intangible asset on a net basis.

Reversal of deferred tax asset
As of 1 December 2019, the Company has reversed the deferred tax asset of DKK 328 thousand, which was recognied in the balace sheet, and which according to Management did not meet the recognition criteria. Similar to IFRS, Danish GAAP requires that it is probable that future taxable income is available against which the deferred tax asset can be utilised. As the Company has a history of taxable losses, recognition of deferred tax assets requires convincing evidence of the future utilisation. As of 31 December 2019, the deferred tax assets that has been reversed amounted to DKK 468 thousand, of which DKK 140 thousand was corrected through the income statement.

Other corrections
Other corrections for December 2019 inlude reclassifications between receivables and payables of DKK 958 thousand and reversal of short-term employee benefits of DKK 226 thousand.

Adjustments arising from the transition to IFRS

Capitalisation of borrowing costs
Unlike Danish GAAP, IFRS requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets to be capitalised as part of the cost of that assets. The Company has accordingly as part of the transition to IFRS capitalised borrowing costs to those development projects in progress, which are considered being qualifying assets. At the transition to IFRS, the Company has applied the exemption in IFRS 1 only to capitalise borrowing costs incurred on or after 1 January 2018. For December 2019 the amount of borrowing costs capitalised amounted to DKK 34 thousand, which under Danish GAAP were recognised in the income statement as financial expenses.

Leases
In accordance with the provisions in IFRS 1, the Company has adopted IFRS 16 Leases from the date of transition. With the adoption of IFRS, the Company recognised lease liabilities in relation to leases which under Danish GAAP were classified as operating leases. IFRS 1 allows the liabilities to be measured at the present value of the remaining lease liabilities as at the transition date using the incremental borrowing rates of 1 December 2019. The associated right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Under Danish GAAP the costs for operating leases were recognised in the income statement as operating expenses, which under IFRS is replaced with depreciations on the right of use assets and interest expense on the lease liability.

On the date of transition, all the Company's lease agreements were short-term leases. As the Company has chosen to use the exemption in IFRS 1 not to recognise leases with a remaining lease term of 12 months or less on the transition date, no adjustment were made in respect of leases at the transition date. Accordingly, there were no impact on the balance sheet as of 1 December 2019. By 31 December 2019, a lease liability of DKK 372 thousand and a right of use asset of DKK 370 thousand was recognised. The net impact on the income statement for December 2019 was DKK 2 thousand related to lease additions that occured in December 2019.

Share-based payment
Previously, the Company did not recognize any expenses related to the warrant programs, as equity-settled programs are not required to be recognized under Danish GAAP. IFRS requires the fair value of the granted warrants to be recognized over the vesting period. The fair value was determined using an appropriate pricing model.

In transitioning to IFRS, expenses of DKK 105 thousand has been recognized in profit or loss for December 2019. Corresponding entries have been made directly to equity.

Exemptions applied from full retrospective application of IFRS

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied the following exemptions:

1) No opening adjustment on the date of transition for warrants that have fully vested prior to the date of transition has been recognized. Only the expenses related to the warrants vesting after the date of transition to IFRS have been recognized.

2) No borrowing costs incurred prior to 1 January 2018 have been capitalised

3) The Company has chosen to account for leases that end within 12 months after 1 December 2019, as if they were short-term leases accounted for in accordance with paragraph 6 of IFRS 16.

Definition of **Terms**

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

Financial key ratios

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

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

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

Other non-IFRS performance measures

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

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

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

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

Gross profit margin: Gross profit in percent of revenue

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

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

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

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

Intangible CAPEX: Costs for development activities.

Tangible CAPEX: Payments for property, plants and equipment.

CAPEX: Investments in Intangible and Tangible CAPEX.

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

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

Cash spend: Cash flows from operating and investment activities.

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

Headcount: Numerical number of employees of the Company.

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