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STIESDAL HYDROGEN A/S
VEJLEVEJ 270, 7323 GIVE
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2022

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 28 April 2023**

Mette Godsk Trandbohus

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COMPANY DETAILS

Company	Stiesdal Hydrogen A/S Vejlevej 270 7323 Give CVR No.: 41 82 86 92 Established: 1 November 2020 Municipality: Vejle Financial Year: 1 January - 31 December
Board of Directors	Kim Schønnemann Bøttkjær, chairman Peder Riis Nickelsen Niels Olaf Ahrengot Henrik Stiesdal Carsten Risvig Pedersen Tove Feld Heidi Hjelm Kamstrup
Executive Board	Peder Riis Nickelsen
Auditor	BDO Statsautoriseret revisionsaktieselskab Fælledvej 1 5000 Odense C
Bank	Nordea Bank Danmark A/S Vestre Stationsvej 7 5000 Odense C

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Stiesdal Hydrogen A/S for the financial year 1 January - 31 December 2022.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Give, 28 April 2023

Executive Board

Peder Riis Nickelsen

Board of Directors

Kim Schønnemann Bøttkjær
Chairman

Peder Riis Nickelsen

Niels Olaf Ahrengot

Henrik Stiesdal

Carsten Risvig Pedersen

Tove Feld

Heidi Hjelm Kamstrup

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stiesdal Hydrogen A/S

Opinion

We have audited the Financial Statements of Stiesdal Hydrogen A/S for the financial year 1 January - 31 December 2022, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, 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 Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary 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 of Management Commentary.

Odense, 28 April 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jesper Bechsgaard Jørgensen
State Authorised Public Accountant
MNE no. mne31412

MANAGEMENT COMMENTARY

Principal activities

The principal activities comprise development, sales and licensing of the Stiesdal HydroGen Electrolyzer which is based on conventional alkaline electrolysis. Rethinking the basics and with novel designs features the Stiesdal HydroGen Electrolyzer is designed for industrialization and ensures lowest possible cost in order to advance the global production of affordable green hydrogen.

Recognition and measurement uncertainty

In these present Financial Statements, a tax asset of DKK 6.1 m is recognized. The value of this depends on the future earnings capacity. Based on the Group's expectations for the future earnings, the Group's expectations for the future growth in the market for carbon free energy and continued investment in development assets it is Management's opinion that the tax loss will be used in full in the Group in 4-7 years.

Development in activities and financial and economic position

The Company had development costs of DKK 46.2 m in the financial year, and a significant amount is expected to be needed in order to complete the first 3 MW prototype electrolyzer.

The financing thereof is expected from the Company's parent company, which has issued a loan guarantee for the financial year 2023. The Company has developed a 150 kW HydroGen Electrolyzer demo unit in 2021 and has made significant progress in design and testing of the 3 MW unit.

In April 2022 Stiesdal entered a corporation and licensing agreement with Reliance Industries and the Company is in general experiencing high interest for the HydroGen Electrolyzer.

Management expects profitable operations in 2024, which is supported by budgets, market surveys and the general high potential of the technology. The Management considers the result of the year to be satisfactory.

Comment on the assumptions for going concern

In the financial year 2022 a loss of DKK 7 m is realized, which together with the development costs the Company's cash resources are reduced materially.

In relation to securing the necessary liquidity for the financial year 2023 the Company has received commitment of additional credit facility in 2023 of DKK 70 m from the parent company Stiesdal A/S as well as extension of the existing loan with the parent company Stiesdal A/S of DKK 49 m for the financial year 2023.

Management has prepared budgets for the financial year 2023, which support that the Company has the liquidity necessary to service their liabilities concurrently with their due date in the financial year 2022. The cash flow budget shows that the Company's liquidity is expected to be lowest in November 2023 with DKK 16.3 m in free liquidity.

Based on the additional credit facilities and extension of the existing debt with the parent company, Stiesdal A/S, it is Management's opinion that the Company's assumptions for going concern are ensured.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the Company's financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2022 DKK	2021 DKK '000
GROSS LOSS		-432,367	-2,156
Staff costs.....	1	-11,019,872	-2,444
Depreciation, amortisation and impairment losses.....		-4,534	0
OPERATING LOSS		-11,456,773	-4,600
Other financial income.....		18,377	0
Other financial expenses.....	2	-1,363,823	-377
LOSS BEFORE TAX		-12,802,219	-4,977
Tax on profit/loss for the year.....	3	5,867,828	2,306
LOSS FOR THE YEAR		-6,934,391	-2,671
PROPOSED DISTRIBUTION OF PROFIT			
Retained earnings.....		-6,934,391	-2,671
TOTAL		-6,934,391	-2,671

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 DKK	2021 DKK '000
Development projects in progress and prepayments.....		64,596,748	18,364
Intangible assets.....	4	64,596,748	18,364
Other plant, machinery tools and equipment.....		37,482	0
Property, plant and equipment.....	5	37,482	0
NON-CURRENT ASSETS.....		64,634,230	18,364
Work in progress.....		8,627,663	0
Inventories.....		8,627,663	0
Trade receivables.....		515,880	0
Deferred tax assets.....		6,137,617	1,688
Other receivables.....		4,360,102	2,271
Corporation tax receivable.....		1,418,139	618
Prepayments.....		510,595	996
Receivables.....	6	12,942,333	5,573
Cash and cash equivalents.....		5,362,319	29,712
CURRENT ASSETS.....		26,932,315	35,285
ASSETS.....		91,566,545	53,649
EQUITY AND LIABILITIES			
Share capital.....		1,000,000	1,000
Reserve for development costs.....		60,946,476	17,556
Retained earnings.....		-31,051,816	19,273
EQUITY.....		30,894,660	37,829
Trade payables.....		6,309,775	3,261
Debt to Group companies.....		53,521,017	12,138
Other liabilities.....		841,093	421
Current liabilities.....		60,671,885	15,820
LIABILITIES.....		60,671,885	15,820
EQUITY AND LIABILITIES.....		91,566,545	53,649
Contingencies etc.	7		
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Comment on the assumptions for going concern	9		
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EQUITY

	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2022.....	1,000,000	17,555,990	19,273,061	37,829,051
Proposed profit allocation.....			-6,934,391	-6,934,391
Other legal bindings				
Capitalized development costs.....		46,232,743	-46,232,743	0
Tax on changes in equity.....		-2,842,257	2,842,257	0
Equity at 31 December 2022.....	1,000,000	60,946,476	-31,051,816	30,894,660

NOTES

	2022 DKK	2021 DKK '000	Note
Staff costs			1
Average number of employees	15	3	
Wages and salaries.....	9,390,729	2,119	
Pensions.....	1,250,265	270	
Social security costs.....	115,373	14	
Other staff costs.....	263,505	41	
	11,019,872	2,444	
Other financial expenses			2
Group enterprises.....	1,269,880	220	
Other interest expenses.....	93,943	157	
	1,363,823	377	
Tax on profit/loss for the year			3
Calculated tax on taxable income of the year.....	-1,418,139	-618	
Adjustment of deferred tax.....	-4,449,689	-1,688	
	-5,867,828	-2,306	
Intangible assets			4
		Development projects in progress and prepayments	
Cost at 1 January 2022.....		18,364,005	
Additions.....		46,232,743	
Cost at 31 December 2022.....		64,596,748	
Carrying amount at 31 December 2022.....		64,596,748	

NOTES

Note

Intangible fixed assets (continued)

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The development costs in the year have been used for development of a 3MW hydrogen commercial scale electrolyzer.

Management has significant expectations for the development of the HydroGen Electrolyzer, which is supported by budgets, market surveys and the general demand in the world market for affordable green hydrogen.

The Company is experiencing high interest for the HydroGen Electrolyzer and has entered collaboration and licensing agreement with the largest industrial company in India and secured a significant framework sales agreement with a customer.

The Company is working on the technical design of a 3 MW prototype commercial scale electrolyzer, and it is Management's expectation that a significant amount will be required to complete development of the first 3 MW prototype. The first prototype unit is expected to be in operation H1 2023.

The Company has received a loan guarantee from the parent company for the financial year 2023 in relation to the financing required for the completion.

Based on the expectations for the future earnings, it is Management's assessment that the development costs meet the requirements for recognition and measurement in the Financial Statements, and that the valuation of the development costs is proper.

Property, plant and equipment

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	Other plant, machinery tools and equipment
Additions.....	42,016
Cost at 31 December 2022.....	42,016
Depreciation for the year.....	4,534
Depreciation and impairment losses at 31 December 2022.....	4,534
Carrying amount at 31 December 2022.....	37,482

	2022 DKK	2021 DKK '000
Receivables falling due after more than one year		
Deferred tax assets.....	6,137,617	1,688
	6,137,617	1,688

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NOTES

	Note
Contingencies etc.	7
Joint liabilities The Company is jointly and severally liable together with the Parent Company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc. Tax payable on the Group's joint taxable income is stated in the annual report of STIESDAL A/S, which serves as management Company for the joint taxation.	
Charges and securities The Company has no charges and securities as of 31 December 2022.	8
Comment on the assumptions for going concern In the financial year 2022 a loss of DKK 7 m is realized, which together with the development costs the Company's cash resources are reduced materially. In relation to securing the necessary liquidity for the financial year 2023 the Company has received commitment of additional credit facility in 2023 of DKK 70 m from the parent company Stiesdal A/S as well as extension of the existing loan with the parent company Stiesdal A/S of DKK 49 m for the financial year 2023. Management has prepared budgets for the financial year 2023, which support that the Company has the liquidity necessary to service their liabilities concurrently with their due date in the financial year 2022. The cash flow budget shows that the Company's liquidity is expected to be lowest in November 2023 with DKK 16.3 m in free liquidity. Based on the additional credit facilities and extension of the existing debt with the parent company, Stiesdal A/S, it is Management's opinion that the Company's assumptions for going concern are ensured	9
Information on uncertainty with respect to recognition and measurement In these present Financial Statements, a tax asset of DKK 6.1 m is recognized. The value of this depends on the future earnings capacity. Based on the Group's expectations for the future earnings, the Group's expectations for the future growth in the market for carbon free energy and continued investment in development assets it is Management's opinion that the tax loss will be used in full in the Group in 4-7 years.	10

ACCOUNTING POLICIES

The Annual Report of Stiesdal Hydrogen A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

Comparative figures

The comparative figures in the Income Statement are not comparable with the current year because last year's figures cover a period of 14 months while the current year covers 12 months.

Change as a result of changed presentation

In the 2021 annual report, the capitalization of staff costs related to capitalized development projects was offset against staff costs, which was not in accordance with the gross principle in the Danish Financial Statements Act. Capitalization of staff costs should be included in the accounting item "Own work, recognized under assets".

The changed presentation has been incorporated into the comparative figures in the 2022 annual report, resulting in an increase of DKK 1,929k in the accounting item "Own work, recognized under assets" and "Gross profit" in the income statement, and an increase of DKK 1,929k in the accounting item "Staff costs". The changed presentation has no impact on the results for 2021. The equity and total assets for 2021 are not affected.

INCOME STATEMENT

Own work, recognised under assets

Own work, recognised under assets comprise staff costs incurred in the financial year and is included in the cost price for Inventories.

Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Other external expenses

Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, lease expenses, etc

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets

Development projects in progress and prepayments comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the Company's development activities and which fulfil the criteria for recognition in the Balance Sheet.

Intangible fixed assets are generally written down to the recoverable amount if this is lower than the carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets

Other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment.....	3-5 years	0-25 %

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.