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Nel ASA

Q2 and half-year 2021 report

Highlights of the quarter

- Nel ASA (Nel) reported revenue and operating income in the second quarter 2021 of NOK 163.7 million, up 10 % from the second quarter 2020 (Q2 2020: 148.6)
- Global travel restrictions and extraordinary measures related to the Covid-19 pandemic have continued to negatively impact progress on customer/partner dialogue, order intake, installation, commissioning, and production efficiency
- Order backlog ended at NOK 1 078 million at the end of the quarter, up 4% from the second quarter 2020 (down 7% compared to the first quarter 2021)
- EBITDA of NOK -120.3 million (Q2 2020: -48.7), negatively impacted by the organisation growing faster than revenues and quality costs related to introduction of the next generation products.
- Operating loss of NOK -149.1 million (Q2 2020: -72.0) and a pre-tax loss of NOK -314.1 million (Q2 2020: 594.3), mainly related to loss from operations and a net negative unrealised fair value adjustment from shareholdings of NOK 171.0 million
- Cash balance of NOK 3 074.0 million (Q2 2020: 2 566.1)
- Continued commercial progress
 - Received a purchase order (PO) from H2 Energy for a 2 MW, fully containerized MC400 PEM electrolyser
 - Nel received a PO from HTEC for a H2Station™ hydrogen fueling station to operate in Quebec, Canada
- Nel continues delivering on its partnership strategy
 - Entered partnerships with major EPC companies Wood and Aibel to strengthen Nel's global delivery and project execution capabilities
 - Announced the collaboration with leading solar company First Solar Inc to develop integrated Photo Voltaic (PV) Hydrogen power plants
- Signs frame agreement with Howden for supply of hydrogen compressors
- Announced the collaboration for a fossil-free steel rolling facility in Hofors, Sweden, together with partners Ovako, Volvo, Hitachi ABB Power Grids Sweden and H2 Green Steel

Subsequent events

- July 23, Nel joined the consortium agreement for the PosHYdon project, which aims to validate the integration of offshore wind, natural gas, and hydrogen, offshore in Netherlands. Nel will provide a MW-scale PEM electrolyser for the project.
- August 11, Nel received a contract for a 1.25 megawatt (MW) containerized PEM electrolyser from a leading utility in the US with a value of approximately USD 2.6 million.
- August 17, Nel received a PO for delivery of a H2Station™ to Everfuel for fueling of taxis in Aarhus.
- August 18, Nel entered a development agreement with SFC energy to jointly develop and integrate electrolyser and fuel cell technology systems for decentralized energy generation and storage.

Key figures

<i>(unaudited amounts in NOK million)</i>	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	Full year 2020
Revenue and operating income	163.7	148.6	320.6	275.1	651.9
Operating expenses	312.8	220.6	567.8	434.0	1 066.4
EBITDA	-120.3	-48.7	-194.6	-113.2	-251.5
Operating loss	-149.1	-72.0	-247.2	-158.9	-414.5
Pre-tax income (loss) ¹⁾	-314.1	594.3	-894.0	589.1	1 245.5
Net income (loss) ¹⁾	-312.3	596.4	-890.3	593.2	1 261.9
Net cash flow from operating activities	-47.1	-51.2	-231.7	-55.8	-215.9
Cash balance end of period	3 074.0	2 566.1	3 074.0	2 566.1	2 332.9
Order intake	146.8	602.3	410.1	705.5	1 043.2
Order backlog	1 078.4	1 036.6	1 078.4	1 036.6	981.1

1) Q2 2021 includes a positive fair value adjustment of the shareholding in Nikola Corporation of NOK 40.0 million (a value of USD 18.06 per share as of June 30, 2021). The fair value adjustment was NOK 675.6 million and NOK 100.2 million in the second quarter 2020 and full year 2020, respectively. A USD 10 increase/reduction in the share price of Nikola Corporation will lead to gains/losses of about NOK 100 million with a USD/NOK of 9.0.

Q2 2021 includes a negative fair value adjustment of the shareholding in Everfuel of NOK -212.9 million (a value of NOK 70.10 per share as of June 30, 2021). The fair value adjustment was NOK 0.0 and NOK 1 531.8 million in the second quarter 2020 and full year 2020, respectively. The Everfuel shares are subject to a lock-up expiring on October 29, 2021. A NOK 10 increase/reduction in share price of Everfuel will lead to gains/losses of about NOK 120 million.

Financial development

Nel revenues and operations have been and are expected to continue to be negatively impacted by disruptions in the value chain, travel restrictions and general business slowdown caused by Covid-19. Despite the impact, Nel remains committed to its strategy and has since 2019 taken on additional costs to prepare for future growth.

Nel reported revenue and operating income in the second quarter 2021 of NOK 163.7 million (148.6), following a growth in both the Fueling and Electrolyser segment of 9.8% and 10.6%, respectively, compared to the same quarter in 2020.

At the end of the second quarter 2021, Nel had an order backlog of NOK 1 078.4 million, up from NOK 1 036.6 million a year earlier. Total order intake was NOK 146.8 million (412.2) in the quarter. This quarter order intake in Fueling and Electrolyser segment were NOK 25.6 million (183.2) and NOK 121.2 million (405.3), respectively.

Total operating expenses comprises raw materials expenses, personnel expenses, depreciation, amortisation and impairment and other operating expenses. The total operating expenses in the quarter has increased by 41.8%, to NOK 312.8 million up from NOK 220.6 million same quarter last year.

Raw material expenses have increased with 37.7% from second quarter 2020. The increased raw materials of NOK 32.8 million is partly explained by the 10.2% increase in revenue from contracts with customers, while the margins have been negatively impacted by increase in commodity prices and warranty obligations. In this quarter, Nel has recognised additional costs of NOK 15.0 million related to the final cell stack batches produced at Notodden, Norway. This increase is transient as the electrode manufacturing is being

replaced by the manufacturing facility at Herøya, Norway, going forward.

Personnel expenses increased by 39.9% compared to the same quarter in 2020, which is explained by a higher number of employees, up from 361 employees by the end of second quarter 2020 to 470 at the end of second quarter 2021. Contracted personnel come in addition.

Other operating expenses increased by 72.1% compared to same quarter in 2020. The high level of personnel and other operating costs are the results of Nel's strategic decision to pursue growth and higher activity levels.

Costs for the share option incentive program, which are included in personnel expenses, were NOK 1.7 million (2.9) in the quarter.

EBITDA ended at NOK -120.3 million (-48.7), while the EBITDA margin was -73.5% (-32.8%). The negative EBITDA was impacted by the strategic ramp-up and the increase in raw materials and personnel expenses. In addition, project execution in both Fueling and Electrolyser divisions had a negative impact. Nel's customer projects often include new geographies, customer segments, technological components and/or products leading to additional costs and increased risk.

Depreciation, amortisation, and impairment were NOK 28.8 million (23.4) in the quarter.

Operating loss amounted to NOK -149.1 million (-72.0) in the period.

Net financial items amounted to a loss of NOK 165.0 million (666.4) and was driven by a net negative unrealised fair value adjustment from shareholdings of NOK 171.0 million.

Pre-tax loss was 314.1 million (594.3) in the quarter and the net loss was NOK 312.3 million, compared to income of NOK 596.4 million in the same quarter 2020. Q2 2020 income was mainly related

to positive unrealised fair value adjustment of the shareholding in Nikola Corporation of NOK 675.6 million.

Total comprehensive income is negative with NOK 306.9 million (543.7). There was a positive currency translation difference, net of tax, of NOK 5.6 million in the quarter (-49.8) related to converting statement of financial position from subsidiaries in USD and DKK into NOK using a higher currency rate than in the previous quarter.

Total assets were NOK 6 557.8 million at the end of the quarter, compared to NOK 6 136.7 million at the end of 2020, mainly due to an increase of cash from share capital increases in February offset by the decline in fair value of equity instruments. Total equity was NOK 5 777.6 million, thus, the equity ratio was 88.1%.

Net cash flow from operating activities in the quarter was NOK -47.1 million, compared to NOK -51.2 million in the second quarter in 2020. The development is mainly due to increased personnel and other operating expenses were NOK 44.1 million higher in this quarter compared to same quarter last year as Nel continues to invest in its organisation. In addition, net working capital decreased by NOK 70.8 million. Net cash flow from investing activities was NOK -122.6 million (-18.6).

Nel's cash balance at the end of second quarter 2021 was NOK 3 074.0 million. The increase from end of 2020 is mainly due to raising net proceeds of NOK 1 209.7 million from the share capital increase in February. This is partly offset by negative cash flow from operations and investments.

First half of 2021

Nel reported revenues in the first half of 2021 of NOK 320.6 million (1H 2020: 275.1 million). Operating expenses increased to NOK 567.8 million (434.0), resulting in an operating loss of NOK -247.2 million (-158.9) and a net loss of NOK -890.3 (593.2). First half 2021 included net unrealised fair value adjustment of the shareholding in Everfuel and Nikola Corporation of NOK -651.5 million (684.2).

EBITDA amounted to NOK -194.6 million in first half 2021 compared to NOK -113.2 million in the same period in 2020. The development is mainly due to increased personnel and other operating expenses by NOK 49.6 million and NOK 38.6 million, respectively, higher in first half 2021.

Nel in brief

Nel is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The company serves industries, energy and industrial gas companies with leading green hydrogen production technology.

Since our origins in 1927 as part of Norsk Hydro, we have a proud history of development and continuous improvement of hydrogen technologies.

Our hydrogen solutions cover important parts of the value chain: from hydrogen production technologies to hydrogen fueling stations, enabling industries to transition to green hydrogen, and providing fuel cell electric vehicles with the same fast fueling and long range as fossil-fuelled vehicles - without emissions.

Nel Hydrogen Electrolyser

Production and installation of electrolysers for hydrogen production.

Nel Hydrogen Electrolyser is the world's largest electrolyser manufacturer, offering both alkaline and PEM (proton exchange membrane) technology globally. The company's roots date to 1927, when Norsk Hydro developed large-scale electrolyser plants, providing renewable hydrogen for use in ammonia production with fertiliser as the end-product. Since then, Nel's electrolyser technology has improved continuously, delivered across the world, and has set the industry standard for performance and total cost of ownership.

Historically, hydrogen has primarily been used as an input factor for a broad spectrum of industrial applications and products, such as ammonia, refineries, methanol, edible oil, chemicals, metallurgy, glass, electronics, generator cooling,

polysilicon used in photovoltaic solar panels, and other industrial applications.

Of the total global hydrogen market, only around 1% of the hydrogen is generated via water electrolysis. However, electrolysis is expected to grow in market share, mainly driven by the decreasing cost of renewable energy, increased share of intermittent (wind and solar) energy, decreasing cost of electrolysers, and an increasing focus on climate and air quality.

The overall hydrogen market is also expected to grow significantly in the coming years, with hydrogen being used as a zero-emission fuel for mobility and as a way of decarbonising various industrial sectors like the replacement of coal in the metal industry, and other hard-to-decarbonise sectors. The process of converting renewable electricity to hydrogen and utilising hydrogen both in existing and new markets, is referred to as "power-to-X", where X refers to the various applications for hydrogen.

A step-change in the size of power-to-X projects is beginning worldwide, as projects are moving to megawatt-scale. This trend is welcomed by Nel, as it makes the group's portfolio of large-scale electrolyser solutions increasingly relevant.

Commercial sales of electrolysers began in the 1970s and there has since delivered over 3500 electrolyser units in more than 80 countries. The electrolyser business area has manufacturing facilities in Notodden/Herøya, Norway, and in Wallingford, Connecticut, USA. The company has a global reach through its in-house sales operation and network of agents across the globe.

Today, Nel has a complete product portfolio of both alkaline and PEM electrolysers and is also continuously developing and improving both technologies. Initiatives include a next generation large scale, pressurised alkaline electrolyser as well as larger PEM stacks, and large-scale solutions

which allow for significant cost reductions on a system level.

With increasing demand for large scale electrolysers, Nel is in the final stage of building the first production line at Herøya, Norway. The Herøya plant is highly automated and significant production cost reductions are expected. These cost reductions will be important in making renewable hydrogen cost competitive with fossil hydrogen and fossil fuels.

Reduced cost and new large-scale solutions should enable Nel to penetrate new markets, as well as increase its competitiveness in existing ones. And gradually, Nel aims to replace the various fossil solutions for hydrogen production on which the world currently relies.

Nel Hydrogen Fueling

Production of hydrogen fueling stations for cars, buses, trucks, forklifts and other applications.

Nel Hydrogen Fueling is a leading manufacturer of hydrogen fueling stations that provide FCEVs (Fuel Cell Electric Vehicles) with the same fast fueling and long range as conventional fossil fuel vehicles. Since Nel began manufacturing hydrogen fueling stations in 2003, we have invested significantly in R&D. Today, Nel is one of the global leaders on hydrogen fueling stations for mobility applications. The H2Station™ technology is now being utilized daily in several European countries as well as in South Korea and California, US, providing forklifts, passenger vehicles, buses and trucks hydrogen, driving the transition to zero emission mobility.

Nel was among the first to achieve compliance with the international hydrogen fueling standard (SAE J2601) required by major car manufacturers. With the H2Station™ technology, Nel's ambition is to maintain the position as a preferred supplier for international hydrogen fueling infrastructure operators.

Nel's H2Station™ manufacturing plant is located in Herning, Denmark. It has a capacity of 300 H2Station™ modules per year, leaving room for significant growth. Combining technology innovations with increased manufacturing capacity should enable Nel to further reduce the cost of our leading hydrogen fueling station solutions.

Our target is to enable hydrogen to outcompete fossil fuels for an increasing number of applications, and eventually to become a preferred fuel alternative. Increased activities in the heavy-duty segment (buses, trucks etc.) has encouraged Nel to step up technology developments, and to launch new products, better suited for heavy-duty applications. Significant technology developments will continue going forward to support these new applications.

All in all, our combined electrolyser and fueling activities are supporting our vision:

"Empowering generations with clean energy forever"

Developments

Nel Hydrogen Electrolyser

Nel Hydrogen Electrolyser reported revenue and operating income of NOK 76.6 million in the second quarter of 2021, an increase of 11% from NOK 69.2 million in the same quarter 2020. Norway has a decrease of 62% from lower sales of alkaline electrolysers, while the US has an increase of 31% from sales of PEM electrolysers. Nel Hydrogen Electrolyser has been particularly negatively impacted by the general business slow down and delay in closing orders resulting from Covid-19.

EBITDA was NOK -66.4 million in the second quarter of 2021, decreased from NOK -21.2 million in the same quarter in 2020. The negative movement of EBITDA was impacted by additional costs of NOK 15.0 million related to the final cell stack batches produced at Notodden, Norway. This increase is transient as the electrode manufacturing is being replaced by the manufacturing facility at Herøya, Norway, going forward. In addition, results are negatively impacted by ramp-up activities, increase in commodity prices and lower margins in Norway and US as well as a general negative impact on operations due to Covid-19.

Employees in Nel Hydrogen Electrolyser has increased from 176 employees by the end of second quarter 2020 to 223 at the end of second quarter 2021, driven by increase in project and production personnel.

Nel received a PO for a 2 MW MC 400 PEM electrolyser from H2 Energy

The 2 MW PEM electrolyser is the second system to be delivered as part of the green hydrogen infrastructure network in Switzerland that is currently supplying hydrogen to the first 46 Hyundai trucks already operating, aiming to reach a fleet of 1 600 by 2025. The system will be filling

350 bar trailers directly at site to dispatch the hydrogen to the Hydros spider network in Switzerland.

Nel continue delivering on its partnership strategy

Nel entered into framework agreements with Wood and Aibel. The companies will leverage their capabilities to develop large scale, complex hydrogen projects and the partnerships will add significant value to Nel's global delivery and project execution abilities.

Nel announced the collaboration with leading solar company First Solar Inc to develop PV-hydrogen power plants.

Announced the collaboration for a fossil-free steel rolling facility in Hofors, Sweden

Announced the collaboration for a fossil-free steel rolling facility in Hofors, Sweden, together with partners Ovako, Volvo, Hitachi ABB Power Grids Sweden and H2 Green Steel. The conversion to green hydrogen in the production process will reduce CO₂-emissions from the facility by 50% from current levels. The plant can be used flexibly and can therefore support the stability of the electrical grid, which in turn will permit more use of renewable energy sources.

Signs frame agreement with Howden for supply of hydrogen compressors

The non-exclusive frame agreement with Howden is an important step towards achieving Nel's cost target of green hydrogen production at USD 1.5/kg. The two companies will work closely together to develop cost competitive hydrogen compressor systems for Nel's industry leading electrolysers.

Herøya

Nel is expanding electrolyser production to accommodate large-scale projects by constructing a fully automated manufacturing

facility at Herøya, Norway. This factory will represent the first industrial-scale production of the most efficient electrolyzers on the market, at a game-changing low cost.

The amount of expenditures recognised in the carrying amount for Herøya expansion in the course of construction is NOK 230.4 (10.5) million as of 30 June 2021 (NOK 76.7 million in Q2 2021). Total contractual commitments beyond June 2021 to complete the Herøya expansion in the Electrolyser division are NOK 103.1 million.

Installations and tests of installed equipment are on schedule to meet production start and ramp-up in Q3 2021. The factory acceptance tests has been completed to plan. Upscaling and verification of improved technology are on schedule to meet start-up. The exact speed of ramp-up will be aligned with customer requirements.

Nikola

In June 2020, Nel Hydrogen Inc., a wholly owned subsidiary of Nel ASA, received a PO from Nikola Corporation (Nikola) for 85 megawatt alkaline electrolyzers. The PO has a value in excess of USD 30 million and is included in the company's order backlog. As indicated earlier, progress and implementation has seen some delays. However, Nel plans to start production of the initial Nikola electrolyser stacks referred to under the PO issued in June 2020 at the new Herøya facility during the fourth quarter of 2021 and will continue production during 2022. Nikola has not provided information on when Nel can expect further orders under the Supply Agreement.

Subsequent events:

Joins PosHydon consortium

On July 23, Nel joined the consortium agreement for the PosHydon project, which aims to validate the integration of offshore wind, natural gas, and hydrogen, offshore on the Neptune Energy-operated Q13a-A platform in the Dutch North

Sea. Nel will provide a 1.25 MW containerized PEM electrolyser for the project. The aim of the pilot is to gain experience of integrating working energy systems at sea and the production of hydrogen in an offshore environment.

Nel received a PO for a 1.25 MW MC 250 PEM electrolyser from a leading US utility

On August 11, Nel Hydrogen US, a subsidiary of Nel ASA received a contract for a 1.25 megawatt (MW) containerised PEM electrolyser from a leading utility in the US. The purchase order has a value of approximately USD 2.6 million, and the electrolyser will be delivered in 2022.

Nel enters development agreement for decentralized energy generation and storage with SFC Energy AG

On August 18, Nel entered a development partnership with SFC Energy to jointly develop the world's first integrated electrolyser and hydrogen fuel cell system for decentralized energy generation and storage. The parties aim to introduce the first products to the market during the second half of 2022

Nel Hydrogen Fueling

Nel Hydrogen Fueling reported revenue and operating income of NOK 87.2 million in the second quarter 2021, a growth of 10% from NOK 79.3 million in the same quarter 2020.

EBITDA of NOK -32.5 million in the second quarter of 2021 has decreased from NOK -13.7 million in the same quarter in 2020. The reduction was mainly related to higher costs levels and lower margins as well as a general negative impact on operations due to Covid-19.

Nel Hydrogen Fueling has seen a large increase in the utilisation of many of the stations installed, enabling accelerated learnings and improvements both within product maturity and overall reliability.

Fueling a hydrogen car needs to be as easy and reliable as fueling a gasoline or diesel vehicle. A hydrogen fueling station is a complex and relatively new technology and the hydrogen industry, incl. Nel, still works with maturing the technology as well as investing in service and maintenance, robustness and reliability. Nel will continue to incur costs related to these activities.

Employees in Nel Hydrogen Fueling has increased from 173 employees by the end of second quarter 2020 to 225 at the end of second quarter 2021, driven by increase in service technicians and development personnel.

Nel received a PO from HTEC for one H2Station™ hydrogen fueling station

Nel received a PO for one H2Station™ hydrogen fueling station. This project will build on the existing collaboration between HTEC and Nel, by adding an additional station and expanding the HTEC network of hydrogen fueling stations in Quebec, Canada.

Subsequent events:

Nel received a PO from Everfuel for one H2Station™ fueling station for fleet of taxis in Aarhus, Denmark

The H2Station® will be installed in Aarhus during 2022 and will be used as a prototype for a movable station solution to serve light duty vehicles and as a demo for fueling of heavy-duty vehicles.

Finance

<i>(unaudited amounts in NOK thousands)</i>	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	Full year 2020
Finance income					
Interest income	4 051	2 495	8 329	6 633	14 356
Change in fair value financial instruments	41 955	675 620	44 567	684 247	1 632 006
Other	7	23 375	866	23 536	29 205
Interest income and other finance income	46 013	701 490	53 762	714 416	1 675 567
Finance costs					
Interest expense	-2 652	-2 429	-4 985	-4 910	-9 605
Capitalised interest	1 423	1 237	2 818	2 503	5 181
Net foreign exchange gain (loss)	3 341	-33 980	-6 352	36 668	-11 967
Change in fair value financial instruments	-212 947	0	-691 569	0	0
Other	-186	61	-436	-249	-399
Interest expense and other finance costs	-211 022	-35 111	-700 524	34 012	-16 789
Net finance income (cost)	-165 009	666 379	-646 762	748 428	1 658 777

Nel reported finance income of NOK 46.0 million in the second quarter 2021, mainly consisting of interest income 4.1 million (2.5) from cash and cash equivalents and positive change in fair value of shareholdings in Nikola Corporation of NOK 40.0 million (675.6).

Finance costs in the second quarter 2021 was NOK -211.0 million compared to -35.1 million in second quarter 2020. The increase in finance cost compared with second quarter 2020 is mainly due to a change in fair value of Nel's shareholding in Everfuel of NOK -212.9 million (a value of NOK 70.10 per share as of June 30, 2021). Same period last year did not have any negative fair value adjustments. Second quarter 2021 includes NOK 3.3 (-32.2) million in unrealised currency exchange gain (loss) resulting from revaluing internal loans.

First half of 2021

Nel reported net finance income in the first half of 2021 of NOK -646.8 million (1H 2020: 748.4 million). The variance from net finance cost in the prior year is mainly explained by the unrealised fair value adjustment of the shareholdings in Everfuel and Nikola Corporation. First half 2021 included net fair value adjustment of the shareholding in Everfuel and Nikola Corporation of NOK -651.5 million (684.2).

In the first half 2021 Nel has also recognised an unrealised currency loss on the revaluation of internal loans of NOK -6.4 million (38.8).

Risks and uncertainty factors

Nel is exposed to risk and uncertainty factors, which may affect some or all the group's activities. Nel is exposed to financial, market and operational risk. In addition, there is risk related to technology, implementation and execution of current and future products, and the Covid-19 situation. There are no significant changes in the risks and uncertainty factors described in our Annual Report for 2020.

Outlook

Nel aims to capitalize on the developing opportunities within the hydrogen industry. Hydrogen is an important energy carrier and storage medium, and hydrogen fueling for mobility and in particular for heavy duty vehicles such as trucks and buses are applications with tremendous overall potential. By leveraging our position as a technology front-runner, with a continued high focus on safety, global presence, cost leadership, strong financing and preferred-partner status for industry participants, we look forward to a future hydrogen landscape where Nel remains an important global player.

As communicated before, competition is intensifying as Nel and others are ramping up production capacity. In addition, Nel has

continued to be negatively impacted by disruptions in the value chain, travel restrictions and general business slowdown due to the Covid-pandemic. At the same time, raw material costs have increased. In combination all of this has put pressure on the margins and will continue to do so in the medium term.

To maintain and strengthen our leading position in the growing market for hydrogen applications, Nel will continue to invest to build scale and to develop the organization, and our fueling, alkaline and PEM technology platforms. By building sufficient and flexible capacity to accommodate multi-billion NOK orders, we intend to meet the accelerating demand for industrial and infrastructure applications of our products globally. Nel is making good progress on its plan to add more than 100 new employees in 2021. We are expecting to deploy approximately 25% of capital raised during 2020 in plant, equipment, and technology development projects in 2021. This ramp-up is expected to result in significantly negative EBITDA in 2021.

Over time, Nel expects that increasing revenues will support cost reduction and scale effects leading to profitability. Our counterparties expect that Nel will be a financially strong and stable counterparty and partner as the global hydrogen market continues to expand, and contracts continue grow in size, scope and complexity.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of interim consolidated financial statements for the first half of 2021, which have been prepared in accordance with IAS 34 Interim Reporting, give a true and fair view of the company's assets, liabilities, financial

position and results of operation, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 19 August 2021

The Board of Directors

Ole Enger

Chair

(Electronically signed)

Beatriz Malo de Molina

Board member

(Electronically signed)

Charlotta Falvin

Board member

(Electronically signed)

Finn Jebsen

Board member

(Electronically signed)

Hanne Blume

Board member

(Electronically signed)

Tom Røtjer

Board member

(Electronically signed)

Jon André Løkke

CEO

(Electronically signed)

Condensed interim financial statements

Consolidated statement of comprehensive income (unaudited)

<i>(amounts in NOK thousands)</i>	Note	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	Full year 2020
Revenue and operating income						
Revenue from contracts with customers		151 620	137 591	296 867	254 373	558 601
Other operating income		12 102	10 964	23 710	20 709	93 280
Total revenue and operating income	3	163 722	148 555	320 578	275 082	651 881
Operating expenses						
Raw materials		119 676	86 895	201 908	163 192	393 982
Personnel expenses		111 140	79 437	205 500	155 942	329 402
Depreciation, amortisation and impairment	4, 5	28 806	23 355	52 649	45 707	162 952
Other operating expenses		53 165	30 895	107 735	69 182	180 042
Total operating expenses		312 787	220 582	567 793	434 023	1 066 378
Operating loss		-149 065	-72 026	-247 216	-158 941	-414 497
Finance income						
Finance income		46 013	701 490	53 762	714 416	1 675 567
Finance cost		-211 022	-35 111	-700 524	34 012	-16 789
Share of loss from associates and joint ventures		0	-25	0	-399	1 242
Net financial items		-165 009	666 354	-646 762	748 029	1 660 020
Pre-tax income (loss)		-314 074	594 328	-893 978	589 088	1 245 523
Tax expense (income)		-1 812	-2 108	-3 652	-4 117	-16 357
Net income (loss)		-312 262	596 436	-890 326	593 205	1 261 880
Items that are or may subsequently be reclassified to income statement:						
Currency translation differences		5 639	-49 823	-10 564	82 242	18 151
Cash flow hedges, effective portion of changes in fair value		-2 051	-1 235	-5 952	-7 825	14 050
Cash flow hedges, reclassified		1 787	-1 695	1 305	4 661	-1 820
Other comprehensive income		5 375	-52 753	-15 210	79 079	30 380
Total comprehensive income		-306 888	543 684	-905 537	672 284	1 292 261
Basic EPS (figures in NOK) ¹⁾						
Basic EPS (figures in NOK) ¹⁾		-0.21	0.45	-0.62	0.45	0.92
Diluted EPS (figures in NOK) ¹⁾						
Diluted EPS (figures in NOK) ¹⁾		-0.21	0.44	-0.62	0.44	0.91
Weighted average number of outstanding shares (million)						
Weighted average number of outstanding shares (million)		1 457	1 325	1 442	1 308	1 367

1) Basic and diluted earnings per share are computed using the weighted average number of ordinary shares outstanding.

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Consolidated statement of financial position (unaudited)

<i>(amounts in NOK thousands)</i>	Note	30.06.2021	31.12.2020
ASSETS			
Intangible assets	4	1 116 951	1 091 767
Property, plant and equipment	5	480 013	378 052
Other non-current assets		119 416	73 124
Total non-current assets		1 716 380	1 542 943
Inventories		280 469	237 129
Trade receivables		178 527	101 449
Contract assets		118 236	127 976
Other current assets		1 190 147	1 794 345
Cash and cash equivalents		3 074 021	2 332 854
Total current assets		4 841 400	4 593 753
TOTAL ASSETS		6 557 780	6 136 696
EQUITY AND LIABILITIES			
Shareholders' equity		5 777 577	5 468 316
Total equity		5 777 577	5 468 316
Deferred tax liability		50 976	55 144
Long-term debt		28 536	30 284
Lease liabilities		87 885	77 125
Other non-current liabilities		72 819	74 741
Total non-current liabilities		240 217	237 294
Trade payables		125 952	81 570
Lease liabilities		8 902	14 291
Contract liabilities		219 031	193 082
Other current liabilities		186 101	142 142
Total current liabilities		539 986	431 085
Total liabilities		780 203	668 379
TOTAL EQUITY AND LIABILITIES		6 557 780	6 136 696

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Consolidated statement of cash flows (unaudited)

<i>(amounts in NOK thousands)</i>	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	Full year 2020
Cash flow from operating activities					
Pre-tax income (loss) ¹⁾	-314 074	594 328	-893 978	589 088	1 245 523
Depreciation, amortisation and impairment	28 806	23 355	52 649	45 707	162 952
Change in net working capital	70 829	-5 263	-39 192	12 110	-35 422
Other adjustments ²⁾	167 330	-663 595	648 795	-702 733	-1 588 938
Net cash flow from operating activities	-47 109	-51 175	-231 725	-55 828	-215 886
Cash flow from investment activities					
Purchases of property, plant and equipment	-96 817	-24 969	-132 029	-46 354	-148 539
Payments for capitalised technology	-29 323	-19 348	-60 915	-45 112	-83 659
Purchases of other investments ³⁾	0	0	-37 378	-56 638	-57 880
Investments in other financial assets	-13 125	0	-13 125	-12 998	-12 998
Disposal of fixed assets	16 000	0	16 000	0	0
Investments in associates and joint ventures	0	-267	-700	-267	-567
Sale of subsidiaries, net of cash sold	0	0	0	0	-19 829
Acquisition of subsidiaries, net of cash acquired	0	26 022	0	26 022	26 022
Proceeds from sales of other investments ³⁾	665	0	665	0	3 019
Net cash flow from investing activities	-122 600	-18 562	-227 482	-135 347	-294 430
Cash flow from financing activities					
Interest paid ⁴⁾	-792	-1 115	-1 760	-2 354	-4 411
Gross cash flow from share issues	0	1 444 825	1 225 125	2 291 838	2 383 259
Transaction costs connected to share issues	0	-39 850	-15 457	-68 102	-68 297
Proceeds from new loan	0	16 395	0	16 395	16 395
Payment of lease liabilities	-3 836	-2 720	-6 909	-5 276	-10 915
Payment of non-current liabilities	0	-658	-456	-1 287	-2 320
Net cash flow from financing activities	-4 628	1 416 877	1 200 543	2 231 215	2 313 710
Foreign currency effects on cash	556	-2 430	-169	45	3 478
Net change in cash and cash equivalents	-173 781	1 344 710	741 167	2 040 086	1 806 872
Cash and cash equivalents beginning of period	3 247 801	1 221 358	2 332 854	525 982	525 982
Cash and cash equivalents	3 074 021	2 566 068	3 074 021	2 566 068	2 332 854

1) Q2 2021 includes interests received of NOK 4.1 (2.5) million.

2) Q2 2021 includes a positive fair value adjustment of the shareholding in Nikola Corporation of NOK 40.0 million (USD 18.06 per share as of June 30, 2021). The fair value adjustment was NOK 675.6 million in Q2 2020. In addition, Q2 2021 includes a negative fair value adjustment of the shareholding in Everfuel of NOK 212.9 million (a value of NOK 70.10 per share as of June 30, 2021). The fair value adjustment was NOK 0.0 in the second quarter 2020.

3) Purchases of other investments comprises bank deposits and advance payment guarantees with a maturity longer than three months at the date of purchase.

4) Interest paid includes interest expense on lease liabilities.

Consolidated statement of changes in equity (unaudited)

<i>(amounts in NOK thousands)</i>	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total equity
Equity as of 31.12.2019	244 421	2 089 418	-14	51 649	-538 855	1 846 618
Net income					1 261 880	1 261 880
Currency translation differences				18 151		18 151
Hedging reserve				12 230		12 230
Capital increase	37 139	2 277 822				2 314 961
Options and share program		65	-65		7 681	7 681
Other changes					6 795	6 795
Equity as of 31.12.2020	281 559	4 367 306	-79	82 029	737 501	5 468 316
Net loss					-890 326	-890 326
Currency translation differences				-10 564		-10 564
Hedging reserve				-4 647		-4 647
Capital increase	9 900	1 199 768				1 209 668
Options and share program					4 271	4 271
Other changes					858	858
Equity as of 30.06.2021	291 459	5 567 074	-79	66 819	-147 696	5 777 577

Notes to the interim financial statements

Note 1 Organisation and basis for preparation

Corporate information

Nel is a global, dedicated hydrogen company, delivering optimal solutions to produce, store, and distribute hydrogen from renewable energy. We serve industries, energy, and gas companies with leading hydrogen technology. Our roots date back to 1927, and since then, we have had a proud history of development and continuous improvement of hydrogen technologies. Today, our solutions cover the entire value chain: from hydrogen production technologies to hydrogen fueling stations, enabling industries to transition to green hydrogen, and providing fuel cell electric vehicles with the same fast fueling and long range as fossil-fueled vehicles - without the emissions. The group has two divisions: Nel Hydrogen Electrolyser and Nel Hydrogen Fueling.

Nel (org. no 979 938 799) was formed in 1998 and is a Norwegian public limited company listed on the Oslo Stock Exchange. The group's head office is in Karenslyst allé 49, N-0278 Oslo, Norway. The condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 19 August 2021.

Basis for preparation

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). This financial information should be read together with the annual report for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those used in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2020.

As a result of rounding differences numbers or percentages may not add up to the total.

Note 2 Significant estimates, judgements and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

In the process of applying the group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the condensed interim financial statements:

Judgements

- Revenue recognition
- Deferred tax asset
- Development costs
- Leases, incremental borrowing rates and lease terms

Assumptions and estimation uncertainty

- Share-based payments
- Impairment of goodwill and intangible assets

The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to the annual report of 2020 for more details related to key judgements and estimation.

As a result of the outbreak of Covid-19 during the first half of 2020, all significant estimates and underlying assumptions have been reviewed in the light of this new situation. Nel has focused on the estimates related to expected credit loss on trade receivables and contract assets, reviewing credit risk and risk of default including the loss given default. Nel has not identified any significant Covid-19 related impact to these condensed consolidated financial statements as of 30 June 2021.

Note 3 Segments

Nel identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Nel to identify its segments according to the organisation and reporting structure used by management. See Nel's Annual Report 2020 note 2.3 Segment information for a description of Nel's management model and segments, including a description of Nel's segment measures and accounting principles used for segment reporting.

The executive management group is the chief operating decision maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Nel operates within two operating segments, Nel Hydrogen Electrolyser and Nel Hydrogen Fueling. For more information on the segment's operation, see section 'Nel in brief' on pages 6-7.

Billing of goods and services between operating segments are effected on an arm's length basis.

The following table includes information about Nel's operating segments.

<i>(amounts in NOK thousands)</i>	Q2 2021	Q2 2020	Change	Q1-Q2 2021	Q1-Q2 2020	Change
Revenue and operating income						
Nel Hydrogen Electrolyser	76 570	69 215	11%	141 047	140 149	1%
Nel Hydrogen Fueling	87 151	79 340	10%	179 530	134 933	33%
Total	163 722	148 555	10%	320 578	275 082	17%
EBITDA						
Nel Hydrogen Electrolyser	-66 375	-21 242		-93 129	-46 189	
Nel Hydrogen Fueling	-32 469	-13 741		-62 757	-40 558	
Other and eliminations ¹⁾	-21 415	-13 688		-38 680	-26 487	
Total	-120 259	-48 672		-194 566	-113 234	
Investments ²⁾						
Nel Hydrogen Electrolyser	113 435	30 221	275%	162 837	64 579	152%
Nel Hydrogen Fueling	25 829	14 096	83%	43 232	39 885	8%
Total	139 264	44 317	214%	206 069	104 464	97%
Total assets ³⁾						
Nel Hydrogen Electrolyser	1 547 168	1 311 149	18%			
Nel Hydrogen Fueling	1 023 513	949 125	8%			
Other and eliminations ¹⁾	3 987 099	3 193 060	25%			
Total	6 557 780	5 453 333	20%			

1) Other and eliminations comprises parent company and other holding companies.

2) Investments comprise intangible assets, property, plant and equipment, associates and joint ventures and equity instruments.

3) Total assets per segment includes excess values on intangible assets derived from the consolidation of the financial statements.

<i>Property, Plant and Equipment by geographical area</i>			Full year		
<i>(amounts in NOK thousands)</i>	30.06.2021	30.06.2020	Change	2020	Change
Norway	313 506	144 108	118%	210 548	49%
Denmark	116 668	112 506	4%	114 489	2%
USA	45 735	50 323	-9%	48 622	-6%
South Korea	4 103	3 112	32%	4 392	-7%
Total	480 013	310 048	55%	378 052	27%

Note 4 Intangible assets

<i>(amounts in NOK thousands)</i>	Goodwill	Technology	Customer relationship	Total
Carrying value of 01.01.2021	619 731	427 341	44 695	1 091 767
Additions	0	60 915	0	60 915
Amortisation	0	-25 150	-6 063	-31 213
Currency translation differences	-7 398	3 646	-765	-4 517
Carrying value as of 30.06.2021	612 332	466 752	37 867	1 116 951

Intangible assets are reviewed each quarter for impairment indicators, including market changes, technological development, order backlog and other changes that might potentially reduce the value of the assets. For goodwill, impairment tests are performed annually at year-end, and if impairment indicators are identified.

Goodwill is tested using the 'value in use' approach determined by discounting expected future cash flows. If the impairment test reveals that an asset's carrying amount is higher than its value in use, an impairment loss will be recognised.

Impairment tests are performed on three Cash Generating Units (CGU's). Goodwill and intangible assets are related to CGU Electrolyser Norway, CGU Electrolyser US and CGU Fueling.

Note 5 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets

<i>(amounts in NOK thousands)</i>	Land, buildings and equipment	Right-of-use assets	Total
Carrying value of 01.01.2021	302 106	75 946	378 052
Additions	134 847	10 200	145 046
Remeasurements	0	291	291
Disposals	-13 778	0	-13 778
Depreciation	-9 211	-7 725	-16 936
Impairment	-4 500	0	-4 500
Currency translation differences	-8 069	-93	-8 162
Carrying value as of 30.06.2021	401 395	78 618	480 013

The amount of expenditures recognised for Herøya expansion in the course of construction is NOK 230.4 million as of 30 June 2021. Total contractual commitments beyond June 2021 to complete the Herøya expansion in the Electrolyser division are NOK 103.1 million.

Note 6 Equity instruments

Nikola Corporation

<i>(amounts in thousands)</i>	Shareholding ¹⁾	Fair value USD/per share	USD value ²⁾	USD/NOK	Book value
Carrying value of 01.01.2020	582 073	8.59	5 000	8.78	43 902
Fair value adjustment 2020	524 447	6.67		-0.25	100 176
Carrying value of 01.01.2021	1 106 520	15.26	16 885	8.53	144 077
Fair value adjustment Q1 2021	0	-1.37		-0.01	-13 053
Fair value adjustment Q2 2021	0	4.17		0.03	40 021
Carrying value as of 30.06.2021	1 106 520	18.06	19 984	8.56	171 045

- 1) Nel received 1.901 shares in Nikola Corporation per share in Nikola Motor Company Inc. as share consideration following the listing of Nikola on Nasdaq on June 4, 2020
- 2) Acquisition cost of USD 5.0 million.

Everfuel

<i>(amounts in thousands)</i>	Shareholding	Acquisition cost NOK/per share	Fair value NOK/per share	Book value
Carrying value of 01.01.2020	11 940 000	0.14		2 468
Share of loss from equity accounted investees				-739
Private placement 21.10.2020	398 624	22.00		8 770
Fair value adjustment 2020				1 531 830
Carrying value of 01.01.2021	12 338 624	0.91	125.00	1 542 328
Private placement 21.01.2021	20 485	125.00		2 561
Fair value adjustment Q1 2021			-37.67	-465 568
Fair value adjustment Q2 2021			-17.23	-212 947
Carrying value as of 30.06.2021	12 359 109	1.12	70.10	866 374

- 1) The investment was recognised as an equity-accounted investee with a book value of NOK 2.3 million within 'other non-current assets' in the Q2 2020 report.
- 2) The Everfuel shares are subject to a lock-up expiring on October 29, 2021.

Alternative Performance Measures

Nel discloses alternative performance measures (APMs) in addition to those normally required by IFRS. This is based on the group's experience that APMs are frequently used by analysts, investors and other parties as supplemental information.

The purpose of APMs is to provide an enhanced insight into the operations, financing and future prospect of the group. Management also uses these measures internally to drive performance in terms of monitoring operating performance and long-term target setting. APMs are adjusted IFRS measures that are defined, calculated and used in a consistent and transparent manner over the years and across the group where relevant.

Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS.

Nel's financial APMs

EBITDA: is defined as earnings before interest, tax, depreciation, amortisation and impairment. EBITDA corresponds to operating profit/(loss) plus depreciation, amortisation and impairment.

EBITDA margin: is defined as EBITDA divided by revenue and other operating income.

Equity ratio: is defined as total equity divided by total assets.

Order intake: is defined as firm purchase orders with agreed price, volume, timing, terms and conditions entered within a given period. The order intake includes both contracts and change orders. For service contracts and contracts with uncertain transaction price, the order intake is based on estimated revenue. The measure does not include potential change orders.

Order backlog: is defined as firm purchase orders with agreed price, volume, timing, terms and conditions and where revenue is yet to be recognised.

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