

nel•

Nel ASA

Q3 2021 report

Highlights of the quarter

- Nel ASA (Nel) reported revenue and operating income in the third quarter 2021 of NOK 229.3 million, up 55 % from the third quarter 2020 (Q3 2020: 147.7).
- Global travel restrictions, supply chain disruptions 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 intake this quarter of NOK 139.2 million (45.8). Order backlog ended at NOK 1 014 million at the end of the quarter, up 8% from the third quarter 2020 (down 6% compared to the second quarter 2021).
- EBITDA of NOK -113.0 million in the quarter (Q3 2020: -42.1), was negatively impacted by investments into the organisation growing faster than revenues and additional costs related to introduction of next generation products.
- Third quarter operating losses of NOK -138.9 million (Q3 2020: -116.3) and a pre-tax loss of NOK -508.9 million in the period (Q3 2020: -628.6), mainly related to loss from operations and net negative NOK 377.1 million in unrealized fair value adjustment principally from shareholdings in Nikola Corporation and Everfuel.
- Cash balance of NOK 2 930.4 million (Q3 2020: 2 543.6).
- New purchase orders in the quarter:
 - 1.25 megawatt (MW) containerized PEM electrolyser from a leading utility in the US with a value of approximately USD 2.6 million;
 - 5 MW alkaline electrolyser from SGN;
 - One H2Station™ from Everfuel for fueling of taxis in Aarhus, Denmark;
 - One H2Station™ to operate in the region of Tours, France;
 - One H2Station™ from MaserFrakt AB to operate in Borlänge, Sweden.
- Nel joined the consortium agreement for the PosHYdon project, which aims to validate the integration of offshore wind, natural gas, and offshore hydrogen production in the Netherlands. Nel will provide a MW-scale PEM electrolyser for the project.
- 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>	Q3 2021	Q3 2020	YTD 2021	YTD 2020	Full year 2020
Revenue and operating income	229	148	550	423	652
Operating expenses	368	264	936	698	1 066
EBITDA	-113	-42	-308	-155	-252
Operating loss	-139	-116	-386	-275	-414
Pre-tax income (loss) ¹⁾	-509	-629	-1 403	-40	1 246
Net income (loss) ¹⁾	-507	-627	-1 397	-33	1 262
Net cash flow from operating activities	-116	-66	-348	-122	-216
Cash balance end of period	2 930	2 544	2 930	2 544	2 333
Order intake	139	46	549	751	1 043
Order backlog	1 014	938	1 014	938	981

1) Q3 2021 includes a negative fair value adjustment of the shareholding in Nikola Corporation of NOK 67.4 million (a value of USD 10.67 per share as of September 30, 2021). The fair value adjustment was NOK -513.3 million and NOK 100.2 million in the third 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.

Q3 2021 includes a negative fair value adjustment of the shareholding in Everfuel of NOK -311.2 million (a value of NOK 44.92 per share as of September 30, 2021). The fair value adjustment was NOK 0.0 and NOK 1 531.8 million in the third 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. Supply chain disruption and commodity price increases related to the post-Covid increase in economic activity are also impacting the financial development at Nel. Despite this, 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 third quarter 2021 of NOK 229.3 million (147.7), following growth in both the Electrolyser and Fueling segments of 105.7% and 7.6%, respectively, compared to the same quarter in 2020.

At the end of the third quarter 2021, Nel had an order backlog of NOK 1 013.7 million, up from NOK 938.5 million a year earlier. Total order intake was NOK 139.2 million (45.8) in the quarter. This quarter's order intake in the Electrolyser and Fueling segments was NOK 96.1 million (44.3) and NOK 43.1 million (1.5), respectively.

Total operating expenses comprises raw materials expenses, personnel expenses, depreciation, amortisation and impairment and other operating expenses. Total operating expenses in the quarter have increased by 39.5%, to NOK 368.2 million up from NOK 264.0 million in the same quarter of 2020.

Raw material expenses have increased with 97.9% from third quarter 2020. The increased raw materials of NOK 79.5 million is partly explained by the 86.1% increase in revenue from contracts with customers. The developments from larger project sizes and rising commodity prices have negatively impacted margins.

Personnel expenses increased by 60.7% compared to the same quarter in 2020, which is explained by a higher number of employees, up from 376 employees by the end of third quarter 2020 to 497 at the end of third quarter 2021. Contracted personnel come in addition.

Other operating expenses increased by 84.4% 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, in order to strengthen our position in the growing market for hydrogen applications.

Costs for the share option incentive program, which are included in personnel expenses, were NOK 1.8 million (0.3) in the quarter.

EBITDA ended at NOK -113.0 million (-42.1), while the EBITDA margin was -49.3% (-28.5%). The negative EBITDA was impacted by increasing pricing-pressure, as well as the increase in raw materials and personnel expenses. In addition, expenses related to 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 25.9 million (74.2) in the quarter.

Operating loss amounted to NOK -138.9 million (-116.3) in the period.

Net financial items amounted to a loss of NOK 370.0 million in the quarter (-512.4) and was driven by a net negative unrealised fair value adjustment from shareholdings of NOK 377.1 million, mostly due to changes in the market value of Nel's shareholdings in Everfuel and Nikola Corporation.

Pre-tax loss was 508.9 million (-628.6) in the quarter and the net loss was NOK 507.0 million, compared to loss of NOK 626.7 million in the same quarter 2020. Q3 2020 loss was mainly related to negative unrealised fair value adjustment of the shareholding in Nikola Corporation of NOK 513.3 million.

Total comprehensive income is negative with NOK 492.5 million (-618.6). There was a positive currency translation difference, net of tax, of NOK 12.7 million in the quarter (1.3) related to converting statement of financial position from subsidiaries in USD, DKK and KRW into NOK due to weakening of NOK against these currencies.

Total assets were NOK 6 046.9 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 operating loss and the decline in fair value of equity instruments. Total equity was NOK 5 315.2 million, thus, the equity ratio was 87.9%.

Net cash flow from operating activities in the quarter was NOK -115.8 million, compared to NOK -66.1 million in the third quarter in 2020. The development is mainly due to increased personnel and other operating expenses were NOK 73.1 million higher in this quarter compared to same quarter last year as Nel continues to invest in its organisation. Net cash flow from investing activities was NOK -48.1 million in Q3 2021 (-44.7).

Nel's cash balance at the end of third quarter 2021 was NOK 2 930.4 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.

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 been delivered over 3500 electrolyser units in more than 80 countries. The electrolyser business area has manufacturing facilities in 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 has now completed 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 in 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 the US (California), providing forklifts, passenger vehicles, buses and trucks with hydrogen, and 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 to support these new applications.

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

"Empowering generations with clean energy forever"

Developments

Nel Hydrogen Electrolyser

Nel Hydrogen Electrolyser reported revenue and operating income of NOK 147.6 million in the third quarter of 2021, an increase of 106% from NOK 71.8 million in the same quarter 2020. Norway has a decrease of 81% from lower sales of alkaline electrolysers, while the US has an increase of 266% from sales of PEM electrolysers. Nel Hydrogen Electrolyser has been particularly negatively impacted by the delay in closing orders resulting from Covid-19.

EBITDA was NOK -46.3 million in the third quarter of 2021, decreased from NOK -17.4 million in the same quarter in 2020. The results have been 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.

The number of employees in Nel Hydrogen Electrolyser has increased from 176 at the end of third quarter 2020 to 231 at the end of third quarter 2021, driven by increase in project and production personnel.

Nel joins PosHydon consortium

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

Nel 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

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 received a PO for a 5 MW alkaline electrolyser for delivery to SGN

The 5 MW alkaline electrolyser will deliver up to 2,093kg/day of green hydrogen at 30barg to SGN's H100 Fife project in Levenmouth, Scotland. This project is the first ever 100% hydrogen network of scale supplying green hydrogen from electrolysis to customers for the purposes of heating and cooking. The system will be powered by a nearby offshore wind turbine and grid electricity. The newly built hydrogen gas distribution network will supply up to 300 households initially with zero carbon heat, however both the electrolyser and network have been sized to have the capacity to supply up to 900 homes as part of the planned future expansion of the H100 Fife project.

The H100 Fife project is a ground-breaking demonstration in evidencing the role that hydrogen plays in decarbonizing heat as an alternative to natural gas. SGN is one of the UK's largest gas distribution network companies, operating across Scotland, southern England and Northern Ireland and is supplying gas to 5.9 million homes and businesses.

Herøya

Nel has expanded its electrolyser production capabilities to accommodate large-scale projects by constructing a 500 MW fully automated manufacturing facility at Herøya, Norway. The factory represents the first industrial-scale production of the most efficient electrolysers on the market, at a game-changing low cost.

Installation and tests of installed equipment have been completed according to plan and the first batch of electrodes has been produced from the production line. The exact speed of ramp-up will be aligned with customer requirements.

The amount of expenditures recognised in the carrying amount for Herøya expansion in the course of construction is NOK 271.9 (10.5) million as of 30 September 2021 (NOK 41.5 million in Q3 2021). Total contractual commitments beyond September 2021 are NOK 61.6 million. Total estimated investments for the Herøya expansion are NOK 333.5 million, in line with budget and previous communication.

Nel Hydrogen Fueling

Nel Hydrogen Fueling reported revenue and operating income of NOK 81.7 million in third quarter 2021, a growth of 8% from NOK 75.9 million in the same quarter 2020.

EBITDA of NOK -41.9 million in the third quarter of 2021 has decreased from NOK -14.8 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 vehicle 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, including Nel, is still working 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.

The number of employees in Nel Hydrogen Fueling has increased from 186 at the end of third quarter 2020 to 239 at the end of third quarter 2021, driven by increase in service technicians and development personnel.

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.

Nel received a PO with value of approximately EUR 1.0 million from the Community of cities "Touraine Vallée de l'Indre (CCTVI)" for one H2Station™ fueling station to be located in the region of Tours in France

The H2Station® will be installed in the Centre Val de Loire region, within the framework of the COSMHYC DEMO project. The H2Station™ is partly funded by the European Fuel Cells and Hydrogen 2 Joint Undertaking and is scheduled to be operational by Q3 of 2022. The solution is planned to serve fueling of hydrogen garbage trucks.

Nel received a PO from MaserFrakt AB for one H2Station™ fueling station for heavy-duty fuel cell electric vehicles in Borlänge, Sweden

The H2Station® will be installed in Borlänge and is scheduled to be operational by Q4 2022. The solution will serve fueling of hydrogen for heavy-duty vehicles.

Finance

<i>(unaudited amounts in NOK thousands)</i>	Q3 2021	Q3 2020	YTD 2021	YTD 2020	Full year 2020
Finance income					
Interest income	4 515	3 642	12 845	10 275	14 356
Change in fair value financial instruments	1 520	0	46 087	684 247	1 632 006
Other	2	-743	867	22 793	29 205
Interest income and other finance income	6 037	2 899	59 799	717 315	1 675 567
Finance costs					
Interest expense	-3 828	-2 283	-7 390	-7 193	-9 605
Capitalised interest	2 864	1 297	4 259	3 800	5 181
Net foreign exchange gain (loss)	3 708	-425	-2 644	36 243	-11 967
Change in fair value financial instruments	-378 600	-513 286	-1 070 168	-513 286	0
Other	-162	48	-598	-201	-399
Interest expense and other finance costs	-376 017	-514 648	-1 076 541	-480 637	-16 789
Net finance income (cost)	-369 980	-511 749	-1 016 742	236 679	1 658 777

Nel reported finance income of NOK 6.0 million in the third quarter 2021, mainly consisting of interest income 4.5 million (3.6) from cash and cash equivalents and positive change in fair value of financial instruments of NOK 1.5 million (0.0).

Finance costs in the third quarter 2021 were NOK -376.0 million compared to -514.6 million in third quarter 2020. The decrease in finance cost compared with third quarter 2020 is mainly due to changes in fair value of Nel's shareholding in Everfuel and Nikola Corporation of NOK -311.2 (0.0) and -67.4 (-513.3) million, respectively. Third quarter 2021 includes NOK 3.3 (-1.5) million in unrealised currency exchange gain (loss) resulting from revaluing internal loans.

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.

The project pipeline has more than doubled since Nel's CMD in January 2021, and Nel is actively pursuing several large tenders including work done under paid pre-engineering contracts. There are also ongoing discussions with customers about potentially reserving Nel's production capacity. Despite this encouraging activity, reaching agreement on concrete orders can be a lengthy process, particularly as order sizes increase and public funding mechanisms in different parts of the world are implemented on unpredictable timelines.

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. During 2021, Nel has continued to significantly strengthen its organisational capacity and capability. Subject to changes in market development, we anticipate that future employee growth rate will decline from current levels. 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.

Oslo, 21 October 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	Q3 2021	Q3 2020	YTD 2021	YTD 2020	Full year 2020
Revenue and operating income						
Revenue from contracts with customers		220 524	118 501	517 391	372 874	558 601
Other operating income		8 783	29 217	32 493	49 926	93 280
Total revenue and operating income	3	229 306	147 718	549 884	422 800	651 881
Operating expenses						
Raw materials		160 626	81 162	362 534	244 354	393 982
Personnel expenses		126 457	78 670	331 957	234 612	329 402
Depreciation, amortisation and impairment	4, 5	25 926	74 185	78 575	119 892	162 952
Other operating expenses		55 238	29 957	162 974	99 138	180 042
Total operating expenses		368 247	263 973	936 040	697 996	1 066 378
Operating loss		-138 941	-116 255	-386 156	-275 196	-414 497
Finance income						
Finance income		6 037	2 899	59 799	717 315	1 675 567
Finance cost		-376 017	-514 648	-1 076 541	-480 637	-16 789
Share of loss from associates and joint ventures		0	-637	0	-1 036	1 242
Net financial items		-369 980	-512 386	-1 016 742	235 643	1 660 020
Pre-tax income (loss)		-508 921	-628 641	-1 402 899	-39 553	1 245 523
Tax expense (income)		-1 883	-1 951	-5 535	-6 067	-16 357
Net income (loss)		-507 038	-626 690	-1 397 364	-33 485	1 261 880
Items that are or may subsequently be reclassified to income statement:						
Currency translation differences		12 701	1 307	2 138	83 549	18 151
Cash flow hedges, effective portion of changes in fair value		-1 285	8 454	-7 237	630	14 050
Cash flow hedges, reclassified		3 149	-1 667	4 454	2 994	-1 820
Other comprehensive income		14 565	8 094	-645	87 173	30 380
Total comprehensive income		-492 473	-618 596	-1 398 010	53 687	1 292 261
Basic EPS (figures in NOK) ¹⁾						
Basic EPS (figures in NOK) ¹⁾		-0.35	-0.47	-0.97	-0.02	0.92
Diluted EPS (figures in NOK) ¹⁾						
Diluted EPS (figures in NOK) ¹⁾		-0.35	-0.47	-0.97	-0.02	0.91
Weighted average number of outstanding shares (million)						
Weighted average number of outstanding shares (million)		1 459	1 327	1 448	1 314	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	30.09.2021	31.12.2020
ASSETS			
Intangible assets	4	1 148 708	1 091 767
Property, plant and equipment	5	522 705	378 052
Other non-current assets		92 160	73 124
Total non-current assets		1 763 573	1 542 943
Inventories		301 539	237 129
Trade receivables		136 416	101 449
Contract assets		95 458	127 976
Other current assets		819 558	1 794 345
Cash and cash equivalents		2 930 403	2 332 854
Total current assets		4 283 373	4 593 753
TOTAL ASSETS		6 046 945	6 136 696
EQUITY AND LIABILITIES			
Shareholders' equity		5 315 225	5 468 316
Total equity		5 315 225	5 468 316
Deferred tax liability		50 261	55 144
Long-term debt		28 065	30 284
Lease liabilities		78 244	77 125
Other non-current liabilities		68 996	74 741
Total non-current liabilities		225 565	237 294
Trade payables		101 202	81 570
Lease liabilities		17 224	14 291
Contract liabilities		190 286	193 082
Other current liabilities		197 443	142 142
Total current liabilities		506 155	431 085
Total liabilities		731 721	668 379
TOTAL EQUITY AND LIABILITIES		6 046 945	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>	Q3 2021	Q3 2020	YTD 2021	YTD 2020	Full year 2020
Cash flow from operating activities					
Pre-tax income (loss) ¹⁾	-508 921	-628 641	-1 402 899	-39 553	1 245 523
Depreciation, amortisation and impairment	25 926	74 185	78 575	119 892	162 952
Change in net working capital	-5 223	-4 159	-44 415	7 951	-35 422
Other adjustments ²⁾	372 413	492 475	1 021 208	-210 258	-1 588 938
Net cash flow from operating activities	-115 805	-66 140	-347 531	-121 968	-215 886
Cash flow from investment activities					
Purchases of property, plant and equipment	-51 624	-29 555	-183 652	-75 909	-148 539
Payments for capitalised technology	-34 112	-14 797	-95 027	-59 909	-83 659
Purchases of other investments ³⁾	0	0	-37 378	-56 638	-57 880
Investments in other financial assets	0	0	-13 125	-12 998	-12 998
Disposal of fixed assets	0	0	16 000	0	0
Investments in associates and joint ventures	-572	-300	-1 272	-567	-567
Sale of subsidiaries, net of cash sold	0	0	0	0	-19 829
Acquisition of subsidiaries, net of cash acquired	0	0	0	26 022	26 022
Proceeds from sales of other investments ³⁾	38 179	0	38 844	0	3 019
Net cash flow from investing activities	-48 129	-44 652	-275 610	-179 998	-294 430
Cash flow from financing activities					
Interest paid ⁴⁾	-1 044	-1 036	-2 805	-3 390	-4 411
Gross cash flow from share issues	27 877	86 574	1 253 002	2 378 413	2 383 259
Transaction costs connected to share issues	-65	-164	-15 522	-68 266	-68 297
Proceeds from new loan	0	0	0	16 395	16 395
Payment of lease liabilities	-4 030	-2 616	-10 939	-7 891	-10 915
Payment of non-current liabilities	-911	-451	-1 367	-1 738	-2 320
Net cash flow from financing activities	21 826	82 307	1 222 369	2 313 523	2 313 710
Foreign currency effects on cash	-1 510	6 033	-1 679	6 078	3 478
Net change in cash and cash equivalents	-143 618	-22 451	597 549	2 017 635	1 806 872
Cash and cash equivalents beginning of period	3 074 021	2 566 068	2 332 854	525 982	525 982
Cash and cash equivalents	2 930 403	2 543 616	2 930 403	2 543 616	2 332 854

1) Q3 2021 includes interests received of NOK 4.1 (3.3) million.

2) Q3 2021 includes a negative fair value adjustment of the shareholding in Nikola Corporation of NOK 67.4 million (USD 10.67 per share as of September 30, 2021). The fair value adjustment was NOK -513.3 million in Q3 2020. In addition, Q3 2021 includes a negative fair value adjustment of the shareholding in Everfuel of NOK 311.2 million (a value of NOK 44.92 per share as of September 30, 2021). The fair value adjustment was NOK 0.0 in the third quarter 2020.

3) Other investments comprise 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					-1 397 364	-1 397 364
Currency translation differences				2 138		2 138
Hedging reserve				-2 783		-2 783
Capital increase	10 560	1 226 919				1 237 479
Options and share program		1	-1		6 580	6 580
Other changes					858	858
Equity as of 30.09.2021	292 120	5 594 227	-81	81 384	-652 425	5 315 225

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 21 October 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 September 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>	Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change
Revenue and operating income						
Nel Hydrogen Electrolyser	147 624	71 773	106%	288 672	211 922	36%
Nel Hydrogen Fueling	81 682	75 945	8%	261 212	210 878	24%
Total	229 306	147 718	55%	549 884	422 800	30%
EBITDA						
Nel Hydrogen Electrolyser	-46 314	-17 408		-139 443	-63 597	
Nel Hydrogen Fueling	-41 853	-14 780		-104 610	-55 337	
Corporate ¹⁾	-24 848	-9 883		-63 528	-36 370	
Total	-113 015	-42 070		-307 581	-155 304	
Investments ²⁾						
Nel Hydrogen Electrolyser	68 558	34 439	99%	231 395	99 018	134%
Nel Hydrogen Fueling	17 178	9 912	73%	60 410	49 797	21%
Total	85 736	44 352	93%	291 805	148 816	96%
Total assets ³⁾						
Nel Hydrogen Electrolyser	1 584 868	1 309 788	21%			
Nel Hydrogen Fueling	977 339	1 022 316	-4%			
Corporate	3 484 738	2 527 399	38%			
Total	6 046 945	4 859 503	24%			

1) Corporate 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>	30.09.2021	30.09.2020	Change	2020	Change
Norway	357 667	150 937	137%	210 548	70%
Denmark	115 892	116 702	-1%	114 489	1%
USA	45 496	50 904	-11%	48 622	-6%
South Korea	3 650	3 672	-1%	4 392	-17%
Total	522 705	322 216	62%	378 052	38%

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	95 027	0	95 027
Amortisation	0	-38 202	-9 177	-47 379
Currency translation differences	-810	10 206	-103	9 293
Carrying value as of 30.09.2021	618 921	494 372	35 414	1 148 708

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	187 912	10 419	198 331
Remeasurements	0	375	375
Disposals	-13 778	0	-13 778
Depreciation	-14 939	-11 757	-26 696
Impairment	-4 500	0	-4 500
Currency translation differences	-9 403	325	-9 078
Carrying value as of 30.09.2021	447 397	75 308	522 705

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
Fair value adjustment Q3 2021	0	-7.39		0.22	-67 397
Carrying value as of 30.09.2021	1 106 520	10.67	11 807	8.78	103 648

- 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
Fair value adjustment Q3 2021			-25.18	-311 202
Carrying value as of 30.09.2021	12 359 109	1.12	44.92	555 171

- 1) The investment was recognised as an equity-accounted investee with a book value of NOK 1.7 million within 'other non-current assets' in the Q3 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.

Title:
Nel ASA

Published date:
21.10.2021

info@nelhydrogen.com
+47 23 24 89 50

Karenslyst allé 49, PB 199 Skøyen,
0212 Oslo, Norway

The publication can be downloaded on
nelhydrogen.com