number one by nature

2021 ANNUAL REPORT

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Annual report 2021

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Table of contents

Annual report 2021

1 Letter from the CEO

"The alarm bells are deafening, and the evidence is irrefutable: greenhouse gas emissions from fossil fuel burning and deforestation are choking our planet and putting billions of people at immediate risk".

These words belong to the UN Secretary-General António Guterres and were uttered when the Intergovernmental Panel on Climate Change (IPCC) published its report on climate change in September last year. Guterres also called the report, "A code red for humanity".

The message is clear and alarming. We must act now to avert a climate catastrophe. At the same time the IPCC leaves a small glimmer of hope and a reason to remain optimistic. There is still time, but we need to act now. We must work faster.

Even though the task is overwhelmingly huge, it feels good to be part of an industry that has the potential to become an important solution to the climate crisis.

Today, production of cement, steel and fertilizer accounts for more than 17 percent of the world`s total greenhouse gas emissions. Changing from fossil-based fuels to green hydrogen will have a large and positive effect on the global emission figures. Similarly, the need for zero emission solutions within the transport sector, a sector that accounts for 15 – 20 percent of all climate emissions, becomes more and more urgent and longed for with each passing day.

Needless to say, I am not the only one who see this picture. Politicians, investors, and businesspeople alike have come to understand and accept that the energy transition and global decarbonization will not happen without hydrogen. As a result, we have seen more than 500 hydrogen projects announced in 2021, equivalent to USD 160 billion in potential direct investments. This represents an increase of 100% from 2020. Incentives to accelerate the deployment of hydrogen are being discussed and implemented almost everywhere. This creates plenty of opportunities for Nel.

During the last year we have seen an unprecedented growth in our pipeline of new projects, and we have an organization of approximately 90 inhouse employees and 50 people from various EPC-partners working day and night to develop this pipeline into new contracts.

In just a couple of years we will see green hydrogen projects that are much larger than the ones being developed today. Today the biggest European hydrogen plants are approximately 20 MW, but we will soon see green hydrogen plants in new geographical markets, with abundant resources of wind and solar, as big as 800 MW and beyond. We are therefore investing a lot of capital in the development of large-scale concepts and are now capable of delivering 20 MW building blocks to 20, 200, 800 MW concepts and beyond. Customer groups, project sizes and geographical markets will become broader. This means that our independent partnership model will provide a great advantage because we can join forces with companies that have world-class knowledge within their fields and tailor the competence profile on each team to meet the individual needs of each customer.

We have the wind at our back, which is good, when time is of the essence. And I can assure you that we spend every hour of the day contributing the best way we can, which is to bring down the cost of production of green renewable hydrogen to a level below the cost of hydrogen produced from fossil fuel.

Today, close to all hydrogen, which amounts to dizzying 70 million tons per year, is being produced using fossil sources. Outcompeting fossil fuel-based hydrogen is therefore crucial for the necessary transition to a zero-emission society. We are firm in our aim to reach this milestone already in 2025 based on our target to offer technology that can produce green renewable hydrogen at USD 1,5 per kilo.

A giant leap forward to this milestone was reached in October last year when we started initial production at our new manufacturing facility at Herøya in Norway. Currently, this is the world's largest production facility for electrolysers, bringing significant efficiencies of scale and automation to bear on our cost reduction plans. We are looking forward to meeting again with many key partners and stakeholders of Nel when we will celebrate the opening of our new facility in the spring of 2022.

Similarly, we continue to take steps in our fueling division. Our ultimate target is to make it easier, cheaper, and more convenient to fill up a hydrogen vehicle than one that runs on diesel or petrol, and at the same time provide longer driving range. It is fair to say that we still have some way to go, but we are definitely moving in the right direction.

During 2021, we delivered a large number of fueling stations intended for both small and large vehicles to the European and US markets. In July, the Mayor of London, Sadiq Kahn, proudly announced that the first fleet of hydrogen buses were ready to hit the streets of England`s capital fueled by our technology. Once a day, twenty hydrogen double decker buses stop by the brand-new hydrogen fueling station at Metroline`s Perivale depot, delivered by Nel, for a five-minute break to fill up their tanks.

Thanks for the ride, folks

In the very beginning of 2022, we announced that I will resign as CEO in June. A new and highly qualified leader will take over my current role. I am glad the nomination committee has stated that it will recommend that I continue to participate in the development of Nel, as a member of the Board of Directors.

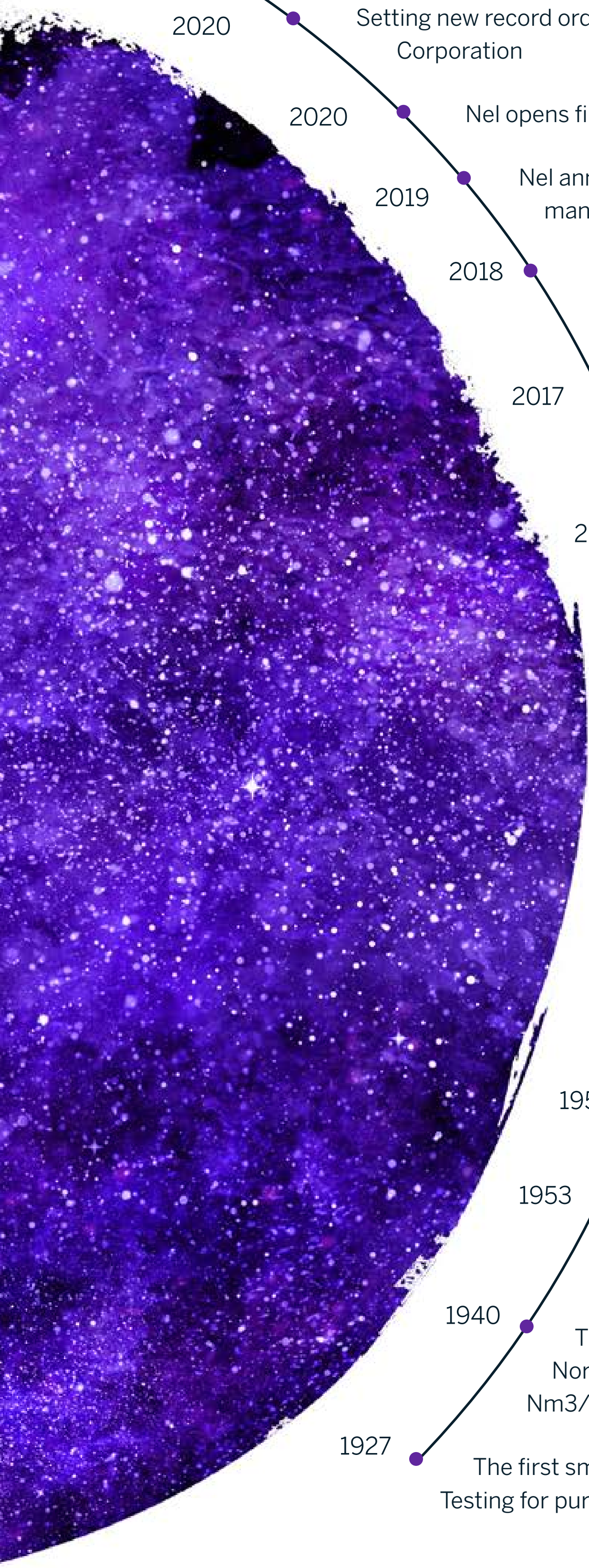
I have had the pleasure of being CEO of Nel for more than six years, and the passion for our people and solutions have grown bigger with the years. It has been a fantastic journey. When I started, we were only three people at the headquarter, just over a dozen at Notodden, Norway, and around 30 in Herning, Denmark. Today Nel is nearing 600 employees, who have developed our company into a world leader within a field that will be crucial in the transition to a zero-emission society. I am extremely proud of what we have created together.

Though there is a long way to go before we reach our goals, I know that we have a strong organization with competent and skilled people that have what it takes to fulfill the full potential of Nel.

So, thanks for the ride, folks. Even though I still will be helping with the journey, I trust that our competent new CEO and the knowledgeable and hard-working people of our organization will take it from here.

Best regards,
Jon André Løkke, CEO

PIONEERING RENEWABLE HYDROGEN FOR MORE THAN 90 YEARS



- 2021 — Starting up the Herøya plant, first line
- 2020 — Setting new record order sizes with orders from Nikola, Everfuel, Iberdrola and Iwatani Corporation
- 2020 — Nel opens first H2Station™ in Korea
- 2019 — Nel announces construction plans for the world's largest electrolyser manufacturing plant to accommodate multi-billion NOK orders
- 2018 — Nel completes construction of the world's largest manufacturing plant for hydrogen fueling stations, with a capacity of 300 units per year
- 2017 — Nel acquires Proton OnSite, adding world leading PEM electrolysis technology to product portfolio, becoming the world's largest electrolyser company
- 2015 — Nel acquires H2 Logic, adding world leading hydrogen fueling technology to the product portfolio
- 2014 — Nel becomes the first 100% dedicated hydrogen company listed on the Oslo Stock Exchange
- 2003 — Nel opens the world's first publicly available hydrogen fueling station in Reykjavik, Iceland
- 2001 — Our first pressurised electrolyser introduced to the market
- 1988 — The world's first electrolyser supplier to provide non-asbestos alkali electrolysers
- 1974 — Our renowned electrolyser technology made available for other companies and other industries
- 1959 — Complete redesign of the electrolyser unit, forming the basis for today's atmospheric electrolyser from Nel
- 1953 — Starts up a second large scale hydropowered electrolyser plant for supplying hydrogen to ammonia production, in Glomfjord, Norway
- 1940 — The largest installation in the world of water electrolysers at Rjukan, Norway, with a total hydrogen production capacity exceeding 30.000 Nm3/hour, from hydropower
- 1927 — The first small electrolyser installation at Norsk Hydro, Notodden, Norway. Testing for pure hydrogen to fertilizer production

MORE THAN 90 YEARS OF HYDROGEN INNOVATION.
AND THAT'S JUST THE BEGINNING.

2 Members of the board

OLE ENGER, CHAIR OF THE BOARD

Mr. Enger (born 1948) has worked as CEO in Nordsilmel, Elkem, SAPA, REC, REC Solar and has been in the executive management of Norsk Hydro and Orkla. Ole Enger has an educational background from Norwegian University for Environment and Life Sciences, NHH (Norwegian School of Economics) and IMDE Business School. He has board experience as both chairman and board member of a number of private and listed companies. Mr. Enger is a Norwegian citizen and lives in Oslo. Mr. Enger has been a board member since 2017.

FINN JEBSEN, BOARD MEMBER

Mr. Jebsen (born 1950) has worked for Mars Inc. in the US and Norway and later for 25 years at Orkla ASA, where he held positions as Business Development Manager, CFO, EVP of Financial Investment Division, EVP of Branded Consumer Goods Division, and CEO. From 2005, he has been working as a professional board member and chairman of several private and listed companies. Mr. Jebsen holds a master's degree in business from NHH and a MBA from UCLA. Mr. Jebsen is a Norwegian citizen and lives in Oslo. Mr. Jebsen has been a board member since 2017.

HANNE BLUME, BOARD MEMBER

Ms. Blume (born 1968) is the CHRO in DOVISTA A/S and has previously held the position as CHRO, vice president in QHSE and different management positions in the energy and renewables sector. This includes being the CHRO of Ørsted for a period of 11 years. Ms. Blume holds a master's degree in Business administration and commercial law from Aarhus School of Business and Oregon State University. She has management and board experience from both listed and private companies. Ms. Blume is a Danish citizen and resides in Juelsminde in Denmark.

BEATRIZ MALO DE MOLINA, BOARD MEMBER

Ms. Malo de Molina (born 1972) has held various management and advisory positions, including CFO of Agilyx AS, SVP and Head of M&A at Orkla ASA, as well as prior positions in Norway and internationally within Kistefos Private Equity, McKinsey & Co., Goldman, Sachs & Co. and EY. She graduated from Georgetown University and holds a master's degree in philosophy from UiO in Oslo. Ms. Malo de Molina currently chairs the board of Crux AS, and Dynea AS and is a member of the board of EMGS and the Oslo Philanthropic Exchange, where she is also Founder. Ms. Malo de Molina is a Spanish citizen and a Permanent Resident of Norway. Ms. Malo de Molina has been a board member since 2017.

CHARLOTTA FALVIN, BOARD MEMBER

Ms. Falvin (born 1966) has held various management positions in the tech industry, including e.g COO of Axis AB and CEO of TAT The Astonishing Tribe AB, with a focus on international business development and organizational growth. Since 2011, she has worked as a professional board member in primarily public companies in the Swedish tech sector, but also in academia, banking and regional incubators for startups. Charlotta Falvin holds a Master of Science in Business Administration and Economics from Lund University in Sweden. She is a Swedish citizen and resides in southern Sweden. Ms. Falvin has been a board member since 2020.

TOM RØTJER, BOARD MEMBER

Mr. Røtjer (born 1953). Former Head of Projects at Norsk Hydro ASA, where he held a number of management positions from 1980 to 2018. He was member of Corporate Management Board of Norsk Hydro from 2007-2012. He is currently a board member Hæhre & Isachsen Gruppen AS and Hæhre & Isachsen Entreprenør AS. He has held previous board positions in Aibel AS. He has previously held board positions in Det norske oljeselskap ASA (Aker BP ASA), Qatalum Ltd. Qatar, and Green Energy Geothermal Ltd. Mr. Røtjer holds a master's degree in Mechanical Engineering from the University of Trondheim, Norway. He is a Norwegian citizen and resides in Oslo. Mr. Røtjer has been a board member since 2020.

3 Management

JON ANDRÉ LØKKE, CEO

Jon André Løkke was appointed Chief Executive Officer (CEO) in 2016. Mr. Løkke comes from the position as CEO of Norsk Titanium AS, developing and industrialising 3D printing technology for the production of titanium components for the aerospace and other industries. He has ten years' experience from the REC Group, including positions as senior vice president in REC Wafer, investor relations officer in REC ASA, and CFO in REC ASA. Mr. Løkke has also worked for the ABB Group and holds an International MBA degree from Glasgow University and a bachelor degree in business and economics from Southampton University.

KJELL CHRISTIAN BJØRNSEN, CFO

Kjell Christian Bjørnsen joined Nel as CFO on March 1, 2020. He served as Chief Financial Officer of the Kavli Group since 2014 and was appointed Chief Financial Officer of Nel from 1 March 2020. He has held positions within business development, strategy and finance in several global industrial companies, including the CFO position of REC ASA. He holds a MSc in Chemical Engineering from the Norwegian University of Science and Technology (NTNU).

ANDERS SØRENG, CTO

Anders Søreng joined Nel in 2016. In addition to the role of CTO, he held the post as SVP Nel Hydrogen Electrolyser until February 2020. He has previously served as Senior Vice President in REC Solar, where he held various management positions since 2008. Mr. Søreng has worked as SVP & CTO of Norsk Titanium and holds a PhD from the Norwegian University of Science and Technology (NTNU).

CAROLINE DUYCKAERTS, CHIEF HR OFFICER

Caroline Duyckaerts joined Nel ASA as Chief Human Resources Officer in January 2021. Mrs. Duyckaerts comes from the position as head of HR for one of Hydro's business areas. She previously also led the People & Leadership development for Hydro and has further HR and change management experience from several well-known companies incl. Hydro, Deloitte, Yara (Hydro Agri), Accenture. Caroline Duyckaerts is a Belgian citizen and holds a Master of Engineering and Business Administration from HEC Liège, complemented with an education as executive coach.

JØRN ROSENLUND, CHIEF STRATEGY OFFICER

Jørn Rosenlund was appointed as SVP Nel Hydrogen Fueling in 2016. Previously, he held a position as COO in H2 Logic. Mr. Rosenlund has a background of 15 years in senior management positions on operations and supply chain management in EagleBurgmann (2013-2015) and Danfoss (2000-2013) with several years working in Denmark, USA, Canada, and Germany.

FILIP SMEETS, CHIEF COMMERCIAL OFFICER

Filip Smeets was appointed SVP Nel Electrolyser Division in February 2020. Mr. Smeets has been in the electrolyser industry for more than 10 years and comes from a position as Managing Director for Hydrogenics in Belgium where he was responsible for the company´s electrolyser activities. Prior to that he held senior positions in several global industrial companies such as Cabot Corporation and Cytec Industries. Mr. Smeets holds a master's degree in chemistry from the University of Antwerp, Belgium.

ROBERT BORIN, SVP FUELING

Robert Borin was appointed SVP Nel Fueling Division in April 2021. Prior to joining Nel, Mr. Borin held several senior management positions in Vestas and Siemens. He is also the founder of Borin Industrial Advisors. Mr. Borin holds a Master of Science in Mechanical Engineering and Industrial Management from KTH Stockholm.

STEIN OVE ERDAL, VP LEGAL AND GENERAL COUNSEL

Stein Ove Erdal joined Nel as Vice President Legal and General Counsel in May 2019. Erdal comes from a position as an Associate General Counsel in Nexans Norway AS where he worked for nine years with complex offshore EPCI and EPC projects. He also has experience from working as a lawyer in the oil and gas division of Arntzen de Besche, as a deputy judge and as a defence counsel. Erdal holds a Cand. Jur., Qualifying Law Degree, from the University of Oslo.

HANS H. HIDE, CHIEF PROJECT OFFICER

Hans H. Hide joined Nel in March 2019. Mr. Hide has since 2012 held management positions in some of Kvaerner's largest projects within the oil and gas sector. He has previously served as Project Portfolio Manager in ALSTOM, and as Vice President Projects in REC, where he also held several management positions in the projects covering REC's expansion program within Solar and Silicon.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4 Report from the Board of Directors

2021 Highlights

- Revenue and other operating income increased by 22% from 2020 to 2021. 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, supply chain costs and lead time, installation, commissioning, and production efficiency.
- Order intake in 2021 was NOK 967 million (2020: NOK 1 043 million) which resulted in a record-high order backlog at end of 2021 of NOK 1 230 million, up 25% from 2020.
- Year-end cash balance of NOK 2 723 million (2020: 2 333).
- Expanded partnership network by entering framework agreements with Wood and Aibel, enhancing ability to address comprehensive projects globally.
- Awarded a EUR 13.5 million contract by Iberdrola for a 20 MW PEM solution for green fertilizer project in Spain.
- Received purchase order for a 5 MW alkaline electrolyser for delivery to SGN.
- Received purchase order for 20 MW alkaline electrolyser from Ovako. The contract value is approximately EUR 11 million.
- Received purchase order for multiple H2Station™ hydrogen fueling station modules in the United States. The value is approximately USD 6.0 million.

SUBSEQUENT EVENTS

- On January 5, 2022, Nel appoints Håkon Volldal as new Chief Executive Officer (CEO) from July 1, 2022. The Nomination Committee of Nel has, in its recommendation to the General Meeting, proposed that current CEO, Jon André Løkke, be elected as a member of Nel's Board of Directors.
- The war in Ukraine impacts commodity prices relevant to Nel. The financial impact is uncertain. Nel's operational activities in Russia and Ukraine are limited.

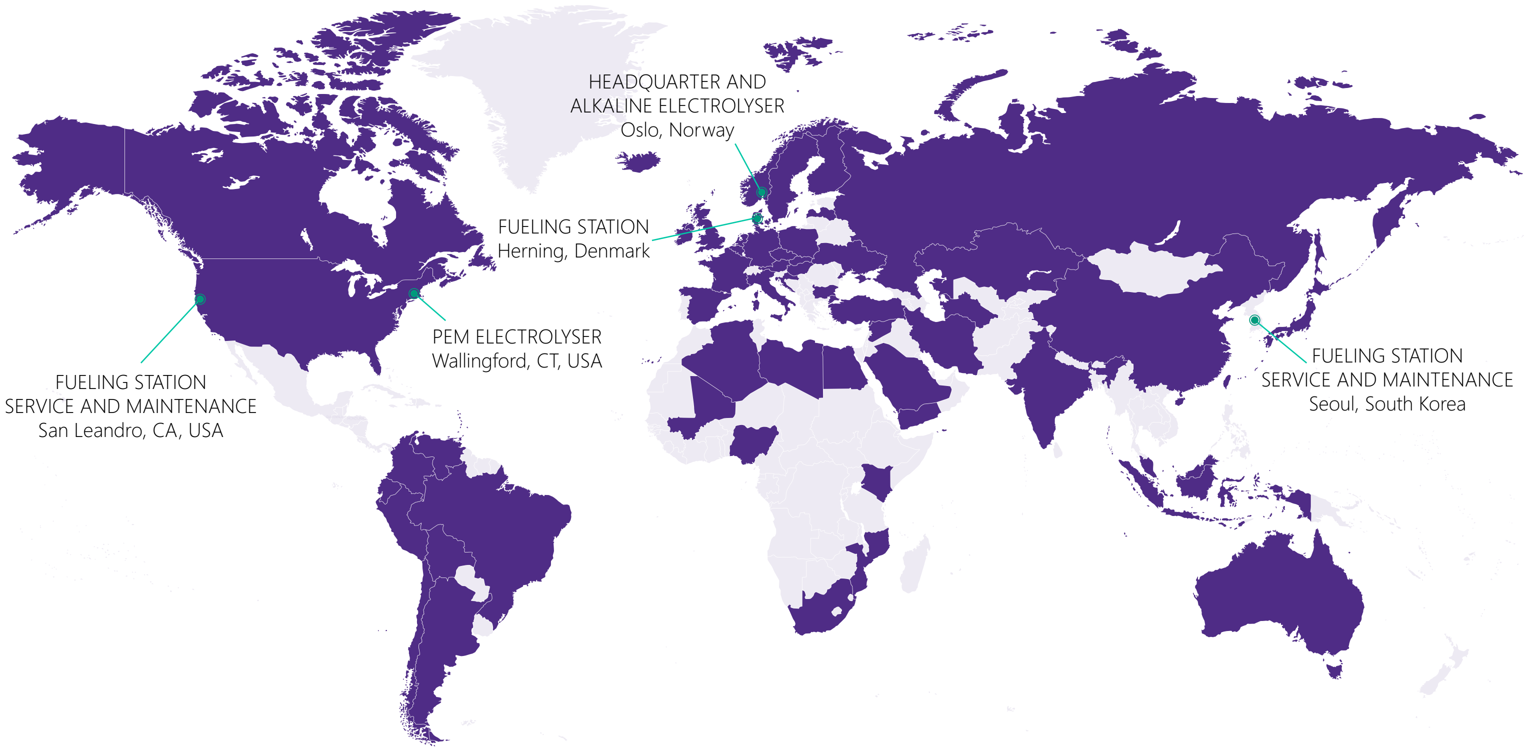
KEY FIGURES

PERFORMANCE MEASURES	2021	2020
Revenue and operating income	798	652
Total operating expenses	1 381	1 066
EBITDA	-475	-252
Operating loss	-583	-414
Pre-tax income (loss)	-1 684	1 246
Net income (loss)	-1 667	1 262
Net cash flow from operating activities	-449	-216
Cash balance end of period	2 723	2 333
Order intake	967	1043
Order backlog	1230	981
TRIF[1)]	4.9	11.2
Number of fatal accidents	0	0
Number of employees	507	393
Women in executive management	10.0%	12.5%

[1)] Total recordable injuries frequency (TRIF) is measured as total recordable injuries per million hours worked.

WHERE WE ARE

Nel consists of electrolyser production facilities in Norway and Connecticut, USA, and one fueling station production facility in Denmark, supported by headquarters in Norway. Nel has a sales and support network with global reach, including service organizations close to the main markets for fueling stations – the U.S. West Coast, South Korea, and Northern Europe (based out of Denmark).



Nel has historically delivered a few electrolyser systems in Russia. We have sold electrolyser systems to Ukraine during 2021.
Business is currently limited in these geographical areas.

MARKETS WE SERVE - A PURPLE WORLD

In total, we have delivered over 3500 electrolyser solutions to over 80 countries, and more than 120 H2Station™ solutions delivered, or in progress to be delivered, to 14 countries.

Our vision

Empowering generations with clean energy forever.

Our technology allows people and businesses to make everyday use of hydrogen, the most abundant element in nature.

4.1 Financial development

Income statement

Nel reported revenue and operating income in 2021 of NOK 798.0 million, up 22% from NOK 651.9 million in 2020. The growth can mainly be attributed to Nel Hydrogen Electrolyser's revenue increasing 38%. Electrolyser constituted 58% of Nel's total revenue in 2021, up from 52% in 2020.

Order intake in 2021 was NOK 967 million (2020: NOK 1 043 million) which resulted in a record-high order backlog at end of 2021 of NOK 1 230 million, up 25% from 2020. The backlog only includes firm purchase orders with agreed price, volume, timing and terms and conditions.

Raw materials expenses totalled NOK 551.7 million (394.0), an increase of 40% from 2020. The increased raw materials expenses are related to the 35% increase in revenue from contracts with customers, while the margins have been negatively impacted by increase in project size, commodity prices, and introduction of next generation products.

Personnel expenses amounted to NOK 472.0 million (329.4), the 43% increase compared to 2020 is mainly the result of increases in employees, up from 393 employees by the end of 2020 to 507 at the end of 2021. Other operating expenses also increased 39% and totalled NOK 249.5 million for the year (180.0). The high level of personnel and other operating costs are the results of Nel's strategic decision to pursue growth and higher activity levels.

EBITDA ended at NOK -475.2 million (-251.5), negatively impacted by ramp up costs. Nel's customer projects often include new geography, customer segments, technological components and/or products leading to additional costs and risk.

Depreciation, amortisation and impairment decreased to NOK 107.6 million (163.0), mainly driven by 2020 including impairments of NOK 71.7 million.

The operating loss amounted to NOK -582.9 million (-414.5).

Net financial items amounted to a loss of NOK 1 101.0 million (1 660.0) and was driven by a negative fair value adjustment of shareholdings in Everfuel and Nikola, in total NOK 1 120.8 million. Pre-tax loss totalled NOK -1 683.8 million (1 245.5) and the net loss for the year was NOK -1 666.9 million, compared to an income of NOK 1 261.9 million in 2020.

Financial position

Total assets were NOK 6 007.0 million at the end of 2021, compared to NOK 6 136.7 million at the end of 2020. Total equity was NOK 5 038.7 million. Thus, the equity ratio was 84 percent.

Cash flow

Net cash flow from operating activities in 2021 was NOK -449.5 million, compared to NOK -215.9 million in 2020. The development is mainly due to higher personnel expenses driven by increase in full-time employees. Net cash flow from investing activities was NOK -373.6 million (-294.4). Nel has purchased property, plant and equipment for NOK 258.3 (148.5) million in 2021, mainly related to the expansion at Herøya, Norway, in the electrolyser division.

Nel's cash balance at the end of 2021 was NOK 2 722.8 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.

Segments

NEL HYDROGEN ELECTROLYSER

Financial review

Amounts in NOK million	2021	2020
Revenue and operating income	466	338
EBITDA	-210	-84
Total assets	1 842	1 256
Order intake	763	791
Order backlog	937	621
Number of employees	240	178

Revenue and operating income increased by 38% from 2020. Revenue from Electrolyser Norway decreased by 40% due to lower sales of alkaline electrolysers and revenue from Electrolyser US increased by 68% due to higher 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 -209.7 million in 2021, a decrease from NOK -84.2 million in 2020. The reduction of NOK 125.5 million was mainly due to ramp-up costs and lower margins in Norway and US.

Employees in Nel Hydrogen Electrolyser has increased from 178 employees by the end of 2020 to 240 at the end of 2021, driven by an increase in project and production personnel.

Total assets have increased by 47% from 2020, which is mainly related to investments in the new manufacturing facility at Herøya, Norway, and increased inventories.

DEVELOPMENT AND KEY PROJECTS

Technology development

Nel invests in development of large-scale industrialisation of Electrolyser products. Work is in progress to develop a pressurized alkaline Electrolyser targeting 1000Nm3/h single cell stack to support and meet the demand of our customers. In addition, also development of the current atmospheric alkaline technology into larger capacity solutions are on-going. Finally, in order to meet new large-scale opportunities within the PEM portfolio, Nel is developing a larger single cell-stack PEM platform. All these three development activities are targeting to reduce total cost of ownership for our customers.

Production capacity development

New manufacturing facility, Herøya, Norway

Nel has expanded its electrolyser production 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 electrolysers on the market.

Installation and tests of installed equipment has been completed to plan in the third quarter of 2021. Initial production commenced in the fourth quarter as the operational team focused on tuning the line and verifying the high product quality. The capacity utilization will be closely aligned with commercial offtake.

The carrying amount for the Herøya expansion is NOK 322.0 (114.0) million as of 31 December 2021. Total contractual commitments beyond December 2021 are NOK 11.6 million.

Nel has initiated site selection process for large-scale technology production facility (PEM and alkaline) in the United States.

Key commercial activities

Nel received a purchase order for a 20 MW PEM electrolyser from Iberdrola

Nel was awarded a EUR 13.5 million contract by Iberdrola for a 20 MW PEM solution for green fertilizer project in Spain.

Nel launched the MC250 and MC500 containerized large-scale PEM electrolysers

Nel officially launched the MC250 and MC500, representing automated MW-class on-site hydrogen generators utilizing a modular containerized design for ease of installation and integration. The containerized MC250 and MC500 will be delivered as standard 1.25 and 2.5 MW configurations, respectively.

Nel entered an MoU with Haldor Topsoe

Nel entered an MoU with Haldor Topsoe with the intent to offer customer end-to-end green ammonia and methanol solutions, based on globally leading technologies from the two companies. Under the MoU, Haldor Topsoe will supply engineering, proprietary hardware, catalyst and technical service for its ammonia and methanol technologies.

Nel received a purchase order 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 Hydrospider network in Switzerland.

Nel expanded its partner network

Nel entered into framework agreements with Wood and Aibel. These internationally renowned EPC companies will leverage their capabilities to work with Nel to develop large scale, complex hydrogen projects anywhere in the world. These partnerships add significant value to Nel's global delivery and project execution abilities.

In addition, Nel announced the collaboration with leading solar company First Solar Inc to develop PV-hydrogen power plants and development partnership with SFC Energy AG to jointly develop the world's first integrated electrolyser and hydrogen fuel cell system for decentralized energy generation and storage.

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

Nel 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.

Nel signed 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.

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 purchase order 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 received a purchase order 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 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.

Nel received a purchase order for PEM electrolyser equipment

Nel Hydrogen US received a contract for PEM electrolyser equipment from a leading global stationary fuel cell company. The purchase order has a value of approximately USD 2.6 million, and the equipment will be delivered between 2022 and 2024. Nel will also be providing design consulting services as part of the project.

Nel received a purchase order for 20 MW alkaline electrolyser from Ovako

Nel has received a purchase order for a 20 MW alkaline electrolyser system from Ovako, a leading European manufacturer of engineering steel. The electrolyser will be installed at Ovako's existing plant in Hofors, Sweden, the first plant in the world to use hydrogen to heat steel prior to rolling and hot forming. The fossil-free hydrogen will replace the use of fossil propane gas currently used in heating furnaces at the site. The contract value is approximately EUR 11 million and the equipment is expected to be delivered at the end of 2022, with the first hydrogen production in 2023. The conversion to hydrogen will enable Ovako to reduce its CO2 emissions for steel production in Hofors by 50 percent from already low levels.

Nel received a purchase order for alkaline electrolyser system

Nel has received a purchase order for an alkaline electrolyser system from a new, European customer. The value of the contract is approximately EUR 3.0 million. The equipment is expected to be delivered in 2022, with the first hydrogen production in 2023. The electrolyser will produce hydrogen that will be mixed with natural gas for combustion in a rotary kiln.

SUBSEQUENT EVENTS

Nel received purchase orders for multiple PEM electrolysers from an innovation leader in sustainable food production in the U.S.

Nel Hydrogen US has received a contract for PEM electrolysis hydrogen production units to be delivered to a leader in the commercialization of sustainable protein technology. This application for green hydrogen is a novel and exciting approach to addressing both climate change and food production for the developing world. The purchase orders have a value of approximately USD 5.0 million, and deliveries of the equipment will be staggered over the remainder of 2022, and into 2023.

Nel received a purchase order with a value of about 5 MUSD for containerized electrolyser and hydrogen refueling equipment from a leading power and gas utility in the U.S.

Nel Hydrogen US has received a contract for a containerised PEM electrolyser to be integrated with its 700 bar H2Station™ hydrogen fueling equipment package at a power generating site in the U.S. The project will demonstrate several use cases for green hydrogen, including cooling of the turbine generators, direct injection of hydrogen into the natural gas fuel stream at the plant, and for fueling a fleet of light duty fuel cell vehicles to be operated by the utility. The purchase order has a value of approximately USD 5.0 million, and the equipment will be delivered in late 2022 and early 2023

The war in Ukraine

- The war in Ukraine impacts commodity prices relevant to Nel Hydrogen Electrolyser segment. The financial impact is uncertain. Nel's operational activities in Russia and Ukraine are limited.

NEL HYDROGEN FUELING

Financial review

Amounts in NOK million	2021	2020
Revenue and operating income	332	314
EBITDA	-169	-107
Total assets	1038	884
Order intake	205	252
Order backlog	293	360
Number of employees	240	200

Revenue and operating income increased by 6% from 2020 due to strong order backlog at the end of 2020 increasing deliveries in 2021. Nel Hydrogen Fueling delivered 24 H2Station™ during 2021, which represents an increase of 4% from 2020.

EBITDA was NOK -169.0 (-106.9) million in 2021, negatively impacted by increase in organisation and decreased margins on customer contracts through slightly higher cost levels and COVID-19 resulting in lower productivity.

Employees in Nel Hydrogen Fueling has increased from 200 employees by the end of 2020 to 240 at the end of 2021, driven by increase in service technicians and development personnel.

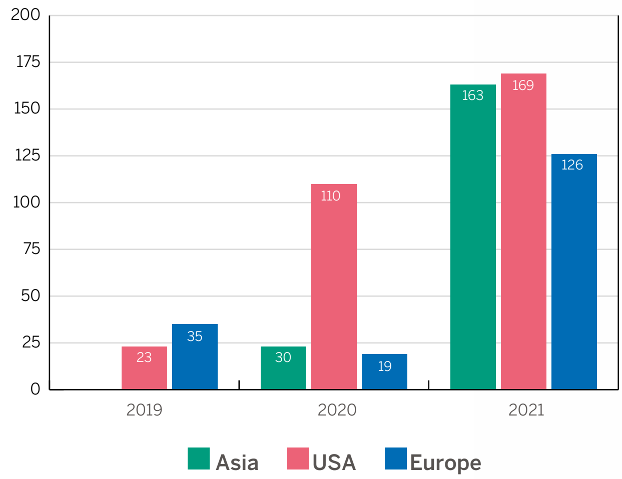
Total assets have increased by 17%, mainly driven by increased inventory, trade receivables and contract assets through higher sales and activity.

DEVELOPMENT AND KEY PROJECTS

Technology development

Nel Hydrogen Fueling has seen a large increase in the utilisation of many of the stations already installed, and this enables accelerated learnings and improvements both within product maturity and overall reliability. Fueling a hydrogen vehicle (passenger or heavy duty) 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, still has some way to go in maturing the technology as well as investing in service and maintenance, robustness and reliability. Nel will continue to incur costs related to these activities in an effort to advance hydrogen-fueled transportation as a viable and reliable option across the globe.

TONNES OF H2 FUELED FROM NEL H2STATION®



Nel continues to see the market of Heavy-Duty transportation move fast towards hydrogen. Therefore, the fueling division will continue to invest significantly in the development of next generation HDV equipment such as high-capacity station modules and dispensers. This is to serve customers who have a need for large capacity dispensing capability, enabling fueling of a heavy-duty truck in 10-15 minutes, to achieve a range of 1 000 km. In addition, there will be ongoing investments in factory and laboratory to be able to accommodate HDV fueling equipment.

We believe that we are still at the very beginning of the development of hydrogen as a viable fuel for passenger and heavy-duty vehicles and other methods of transport. We intend to keep our position as one of the world's leading innovators and equipment providers in this important sector.

Key commercial activities

Nel received a purchase order for an additional four H2Station™ hydrogen fueling stations from Iwatani

Nel received a PO for an additional four H2Station™ hydrogen fueling stations for fueling of light-duty vehicles in California from Iwatani Corporation of America. The value of the purchase order is more than NOK 40 million for the four H2Station™ modules which will be delivered in addition to the 14 H2Station™ modules ordered from Iwatani in 2020.

Nel received a purchase order 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.

Nel received a purchase order 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 purchase order 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 third quarter of 2022. The solution is planned to serve fueling of hydrogen garbage trucks.

Nel received a purchase order 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 fourth quarter 2022. The solution will serve fueling of hydrogen for heavy-duty vehicles.

Nel received a purchase order for multiple H2Station™ hydrogen fueling station modules in the United States
Nel Hydrogen Fueling has received a purchase order from a U.S.-based fuel supplier for multiple H2Station™ hydrogen fueling stations. The multiple station modules will be located in the United States and will expand the fueling coverage for hydrogen powered fuel cell electric light and heavy-duty vehicles. The H2Station™ units will be manufactured and installed during 2022 and 2023. The purchase order has a value exceeding USD 6.0 million.

70MPa CAR Dispenser

CORPORATE DEVELOPMENTS

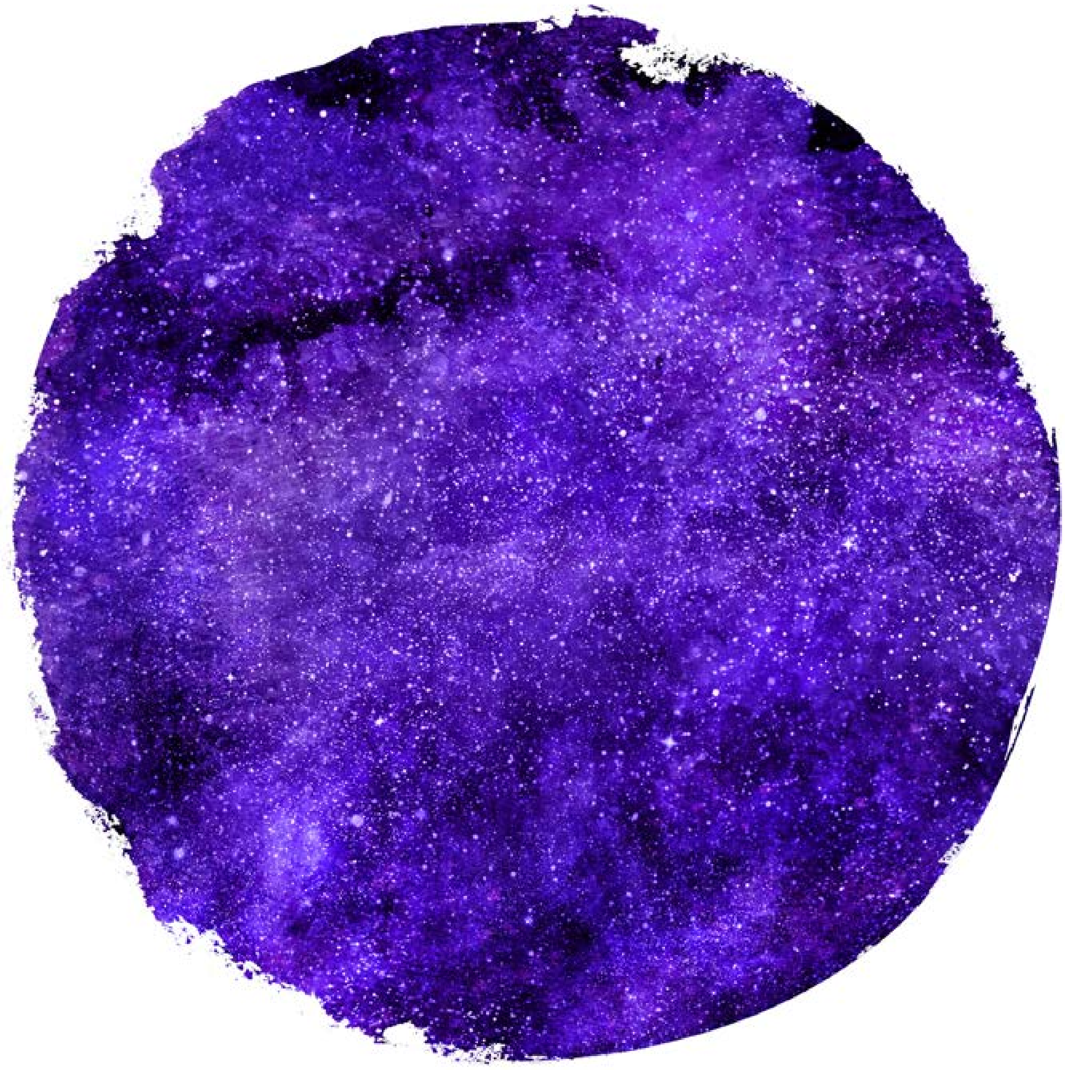
Nel raised NOK 1 225.1 million through a private placement

Nel completed a successful private placement of 49.5 million new shares in February 2021, at a price per share of NOK 24.75, raising NOK 1 225.1 million in gross proceeds.

SUBSEQUENT EVENTS

On January 5, 2022, Nel announced the appointment of Håkon Volldal as new Chief Executive Officer (CEO), replacing the current CEO Jon André Løkke from July 1, 2022. Mr Løkke will continue as CEO until said time.

The Company's Nomination Committee has in its recommendation to the General Meeting proposed that the current CEO, Jon André Løkke, is elected as a board member of Nel ASA with effect from the date the CEO transition becomes effective.



Our mission

We unlock the potential of renewables and enable global decarbonization.

We deliver world leading technology to produce, store and distribute green hydrogen, helping our environmental goals.

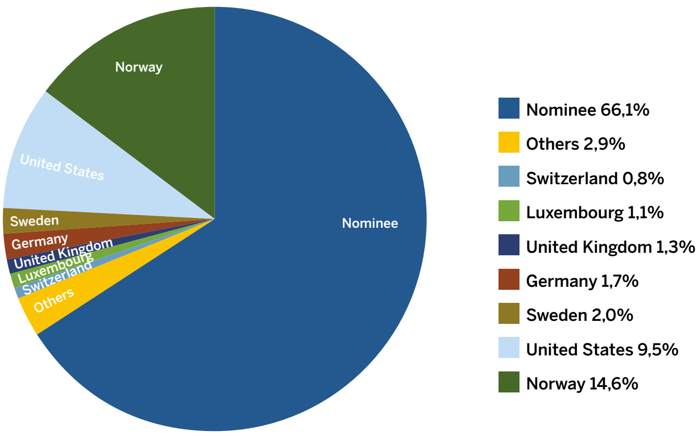
SHAREHOLDERS AND FINANCING

Nel's shares are listed on the Oslo Stock Exchange under the ticker "NEL". At the end of 2021, the company had 1 460 799 288 issued shares, consisting of 1 460 395 774 outstanding shares and 403 514 treasury shares, held by 31 010 known shareholders. The nominal value of the Nel share is NOK 0.20 per share.

The company estimates it has sufficient working capital for the 12 months following the balance sheet date. In accordance with section 3(3a) of the Norwegian Accounting Act, the board of directors, therefore, confirms that the going-concern assumption is met and that the annual accounts have been prepared in accordance with this assumption.

The company has placed considerable emphasis on providing shareholders, stakeholders and investors in general, with timely and relevant new information about the company and its activities in compliance with applicable laws and regulations. Nel is committed to increasing awareness of the share in Norway and abroad. The list of 31 010 known shareholders includes a considerable number of Nordic institutional investors and private investors.

Distribution of shareholders



source: Modular Finance AB

Photo: Ferenc Horvath

STRATEGY

Nel is a leading pure play hydrogen technology company with a global footprint, developing optimal solutions to produce, store and distribute hydrogen from renewable energy.

We have a proud history of technology improvement that goes all the way back to 1927 when Norsk Hydro started its development of hydrogen technologies. Our hydrogen solutions address the zero-emission strategies of some of the world's most energy-intensive industries: cement, steel and fertilizer production. In addition, we deliver fueling systems that provide fuel cell electric vehicles with the same fast fueling and long driving range as fossil-fuelled vehicles - without any emissions.

STRATEGIC SEGMENTS

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. Nel's electrolyser technology has been delivered across the world, and has set the industry standard for continuous improvements in both performance and total cost of ownership. The electrolyser business area has manufacturing facilities in Herøya, Norway, and in Wallingford, Connecticut, USA. Nel has global reach through its in-house sales operation as well as a network of agents internationally.

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 for both technologies which are expected to allow for significant cost reductions on a system level.

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 on a daily basis in several European countries as well as in South Korea and California, US, providing hydrogen to forklifts, passenger vehicles, buses and trucks, 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 its position as a preferred supplier for international hydrogen fueling infrastructure operators.

STRATEGIC ACTIVITIES

An important part of our strategy is to continue to develop and improve our products, to increase efficiency in both operations and costs. In an increasingly competitive global market, our product leadership will enable Nel to win additional contracts in both existing and new markets.Our analysis of the market indicates that projects will grow significantly larger in size during just the next few years. This is the result of increasing amounts of investment into green hydrogen, but also a result of increasing acceptance of hydrogen as an alternative fuel in the global energy transition. While some of Europe's largest hydrogen plants today are approximately 20 MW in size, we expect to see production plants as big as 200 to 800 MW and beyond during the first half of this decade. Many of the largest projects are expected to be located in geographical areas with abundant wind and solar energy, thereby ensuring low electricity prices and a green production profile.

We have invested significantly in developing large-scale concepts and can deliver from 20 MW building blocks to 50, 100 and 200 MW concepts. We have also completed the design of an 800 MW green renewable hydrogen production plant for one of our customers. Our scalable design provides solutions that utilize synergies and reduce total cost of ownership.

We have also developed a concept that makes it easy for customers to put our building blocks together into one large hydrogen production plant. Pre-assembled skid-solutions with pipes, stacks and separators would be transported directly to customer's site, ensuring hassle-free installation in a safe and efficient way, while reducing time and cost for our customers.

During 2021, we increased our efforts in product development by 50% compared to last year and we will continue to increase efforts in this area also during 2022.

Despite the fact that Nel has been in this market for many years, the hydrogen industry is still at its infancy, and we are at the very beginning of a significant global shift towards hydrogen as an important energy carrier. We have therefore invested significantly in developing a strong organisation on the basis of our longstanding focus, commitment and experience in the sector. In 2021 we strengthened important parts of the organization, increasing FTEs by 114 to a total of 507 at year end. We will continue to strengthen and build our organisation also in the coming years.

Nel's continued focus on organizational and technology development will continue to require substantial resources the coming years, and we strongly believe this is the right strategy for long-term value creation at Nel.

Up until now, Nel has engaged in the hydrogen value chain on its own, i.e. as the sole counterparty to a customer in delivering a hydrogen production system. As the industry is still maturing, customers frequently request that Nel take on a broad scope of activity in relation to projects, from engineering to commissioning. Meanwhile, the opportunities, new markets and applications for hydrogen are also growing and becoming more complex. Nel will therefore accelerate our partnership model with leading companies within fields that are related to the hydrogen production industry. This partnership model provides best-in-class expertise, applied to our electrolysers, ensuring that our customers achieve their green hydrogen milestones as expected.

At Nel, sustainability is an integral part of our identity. Our vision is to empower generations with clean energy forever. This vision is driving our ambitions and priorities. Combating climate change is high on our corporate agenda and we always incorporate sustainability into our strategic decision-making processes.

The green hydrogen industry is experiencing an all-time high interest as the world begins turning ambitious sustainability objectives, such as the UN Sustainable Development Goals, into action. Countries and companies alike are unveiling energy transition roadmaps and for many, green hydrogen is an integral part of the strategy. Nel is working to meet this rising demand for reliable, efficient, and affordable energy solutions that support environmentally sustainable activities.

PARTNERSHIP STRATEGY

Cooperation is vital in a rapidly growing industry. Combining resources, expertise and knowledge is a key enabler that allows Nel to improve the entire value chain effectively and rapidly, from procurement and engineering to service and aftersales. Strategic alliances can help shorten the timeline to achieving full competitiveness for our technologies. We are engaged in numerous strategic alliances, both domestically and internationally, and are actively pursuing new alliances in all areas of our business. Our manufacturing facilities are working towards ambitious product development goals and optimizations throughout the value chain.

Some of our alliances include:

- EPC-partners: Optimize our hydrogen turnkey solutions. Predictable project execution from Final Investment Decision to commissioning.
- Energy sources: Working with solar, wind and other technology providers to optimize the link between renewable energy and electrolysis
- Downstream technology partners: Optimizing the total offering through technical collaboration with specialists in key customer segments such as ammonia, methanol and local back-up power.

MEMBERSHIPS AND ASSOCIATIONS

Nel is member of a number of associations with a national, European and global footprint. Our presence in these associations enables us to communicate our positions, market our technology and ultimately influence the ongoing development of hydrogen legislation which is key for creating a business case and a market and for the uptake of our solutions and renewable hydrogen.

Some of our memberships include:

- Hydrogen Europe
- Renewable Hydrogen Coalition (RHC)
- Hydrogen Council
- Australian Hydrogen Council
- CHBC
- Norsk Hydrogenforum (Norwegian Hydrogen Association)
- Renewable Hydrogen Alliance (RHA)
- California Fuel Cell Partnership

UN SUSTAINABLE DEVELOPMENT GOALS

Nel supports the UN Sustainable Development Goals, and we strive to document the actions we are taking to meet them. Presented in 2015, the 17 goals were developed to address the most prominent sustainability concerns we are facing as a society at large. The Sustainable Development Goals are the most unifying and universally accepted set of goals and aspirations that are to be met by 2030, to protect our planet and the people who inhabit it. Nel continues its commitment through the right investments and organisational changes to optimise our contribution to this transformative agenda. We will contribute to the industrialisation of the green hydrogen economy, pathing the way for the development of a global hydrogen economy and the trading of hydrogen as a global commodity. Nel is fully committed to the promotion and implementation of the United Nations Sustainable Development Goals and limiting global warming to 1.5 degrees Celsius. Furthermore, Nel is actively engaged in making the European Union's ambition to achieve 2X40GW in electrolyser capacity a reality, delivering the objectives of the EU Green Deal and achieving net zero emissions within the European Union by 2050.

We support all the sustainability goals outlined by the UN; however, we have chosen to focus on those where we have determined we will have the greatest impact:

Our selected goals are:

7 AFFORDABLE AND CLEAN ENERGY

At Nel, we provide clean energy alternatives to a vast range of industries and applications. In doing so, we contribute to increasing the share of renewables in the total energy consumption. Our main contribution towards Goal 7 was unveiled at our first capital markets day, where we outlined our strategic ambitions to 1) capitalise on the rapid development in the industry by an extensive expansion of our organizational capabilities, and 2) an ambitious target cost of USD 1.5/kg of hydrogen produced that will significantly decrease total cost of ownership and consequently increase the applicability of our solutions.

8 DECENT WORK AND ECONOMIC GROWTH

Ensuring that employees work in a safe and healthy environment is the key to any successful business. All Nel sites have management systems in place that safeguard our employees' health and safety. Nel aims to provide a workplace for everyone that is free of harmful incidents and injuries, and to promote a culture of hazard identification and awareness through incident reporting and self-accountability. We have set a QHSE target of zero incidents, including for sites with Nel equipment. Further, we have a policy of zero-tolerance for discrimination of any kind, and grievance mechanisms are present should such a case emerge.

13 CLIMATE ACTION

Our vision is to empower generations with clean energy forever. Our business model is built on facilitating the transition towards a more sustainable society with our fully-integrated solutions to produce, store, and distribute hydrogen from renewable energy.

Our values

Commitment
We put our hearts into what we do and are uncompromising when it comes to safety and product excellence.

Boldness
We lead the way in our industry, accelerating the energy transition; turning what used to be impossible into reality.

Honesty
We do what we say, and are open about what we do.

4.2 Environment, social and governance reporting

Nel has introduced sustainability reporting on a group level, and reports on metrics and targets in an integrated annual report, following the GRI Sustainability Reporting Standards (GRI Standards: Core option). The report implements considerations found in Norwegian Accounting Act, Task Force on Finance Related Disclosures (TCFD), Euronext ESG Guidelines for listed companies, UN Guiding Principles on Business and Human rights, the UN Global Compact and the OECD's Guidelines for Multinational Enterprises.

The GRI Standards Index for Nel can be found on our website. Visit **www.nelhydrogen.com/sustainability**.

STAKEHOLDER DIALOGUE

Stakeholders are the driving force in Nel's operations, and frequent stakeholder interaction is important for input across our value chain. Nel engages with a wide range of stakeholders and overall, Nel experiences continuously rising expectations in all aspects of our work. We strive to address concerns that are expressed, and we aim to improve our stakeholder dialogue in 2022 by setting up a structured stakeholder dialogue programme.

Nel's key stakeholders and their expressed views are as follows:

Employees. Employees generally express views related to occupational health and safety, career development, and timely two-way communication as key areas of concern. A process has been initiated to refine our recruitment strategy and on the job training. A whistleblowing channel to report concerns is in place.

Shareholders. Our shareholders are vital contributors to the development of our company and important stakeholders with the power to influence our operations. As such, it is important to maintain regular stakeholder dialogue with our shareholders as our business develops. In January 2021, we held our first capital markets day (CMD), allowing for a deep-dive into our current operations and important activities. Quarterly presentations, annual reports, and investor relations activities are other channels employed to keep an open dialogue with this group.

Customers. Customers are generally concerned with product safety, cost of ownership, responsible supply chains, and the applicability of solutions. Our customer-relationships are formed on a project basis and active communication is required throughout the customer journey.

Suppliers. Topics raised by suppliers are context dependent as their priorities are dictated by their motivations and goals. Most of the issues raised by our suppliers are related to quality, cost, and delivery concerns. In addition, we see an increased focus on ESG-related topics.

Partners. As we develop and mature our technologies, strategic partners are significant drivers behind our progress. Their concerns are usually aligned with those raised by suppliers and customers, and our dialogue with them follows similar structures.

Governments. Governments play a vital role as the regulatory body that forms policies and procedures, awards grants, and presents roadmaps for the energy transition. Regular dialogue and monitoring are necessary to ensure our product development meets requirements set by different governments.

MATERIAL ISSUES IMPACTING STAKEHOLDERS

Material topics that are of importance to key stakeholders and how these issues impact Nel's operations and strategy are outlined below. These topics have been further categorized within the three main sustainability categories: Environmental, Social, and Governance:

ESG	MATERIAL TOPIC	PAGE
Environment	Climate Change	31
Environment	Environmental impact, energy and direct GHG emissions	33
Social	Organisation and occupational health and safety	36
Social	Product safety	37
Social	Responsible supply chain	37
Social	Cyber security	37
Social	Well-being at work	39
Governance	Ethical business conduct and compliance	41
Governance	Innovation and technology	44
Governance	Resilience	44

The Herning facility

Environment

CLIMATE CHANGE

Green hydrogen holds a central role in the global megatrend that is climate change. This is because efforts to limit global warming to 1.5 degrees Celsius, as recommended by the Paris Climate Agreement and the IPPC special report, has accelerated the drive towards low carbon solutions in all sectors, including industries and transport. It has generated renewed interest from governments and business owners in hydrogen as an important part of the solution. Governments are recognizing green hydrogen's ability to decarbonize sectors that would otherwise be impossible to fully decarbonize – such as personal or public transport, freight logistics, industrial heating and industry feedstock – and its role in energy security. There are numerous ways of producing renewable energy, but there is a lack of flexible storage solutions. Green hydrogen is a fully functional energy carrier produced from renewable energy sources but can also be an intermediary storage solution in situations where production and use occur at different points in time. This is integrated in Nel's vision of empowering generations with clean energy forever, as hydrogen is unlocking the potential of renewables and enable global decarbonization.

FOSSIL FUEL PARITY – A GUIDING STAR

To increase the distribution of green hydrogen it must be cost competitive with hydrogen made from natural gas. Nel has therefore set a target of producing green hydrogen at USD 1.5 per kilo by 2025.

Achieving this target will allow green hydrogen to reach fossil fuel parity, meaning that it will outcompete hydrogen produced on fossil fuels on price. The target, first introduced one year ago, has become a guiding star for Nel's development.

The hydrogen market is already massive. 70 million tonnes per year is produced and used in a wide range of industries and applications. The total value of this hydrogen is approximately 150 billion US dollars. However, only 1% of it is green hydrogen.

The vast majority of hydrogen today is created using fossil fuels, which create carbon emissions and are damaging to the environment. It therefore stands to reason that it will be easier for companies to adopt green hydrogen, particularly as it reaches the same price level as fossil-based hydrogen.

The world's first fully automated electrolyser plant

Approximately, two thirds of the cost of green hydrogen comes from the price of renewable energy. The remaining third comes from the cost of the equipment needed to generate it - the electrolysers. This is where Nel is a key player - as the world's leading supplier of electrolysers.

Photo: Ferenc Horvath

In 2021 Nel commenced production at its brand-new manufacturing facility at Herøya in Norway. The new plant is the world's first fully automated electrolyser production facility, and the ambition is to achieve a 40 per cent cost reduction, as production volumes increases, and the development of large-scale concepts continues.

A prerequisite for the target of reaching USD 1.5 per kilo green hydrogen is that we see electricity prices of approximately 20 $/MWh or below. We believe the target will be reached first in geographical areas with good access to electricity produced from wind and solar.

ENABLING FOSSIL FREE STEEL PRODUCTION

By replacing coal and coke in steel production, green hydrogen produced from water electrolysis is enabling a game changing decarbonization of the steel industry.

While population growth and urbanization are expected to support a growing demand for steel, the industry is also one of the World's highest CO2 emitters, accounting for 7 per cent of all global emissions.

Fossil free steel production is therefore a significant part of the solution in the battle against climate change. Green hydrogen plays an important role because it can replace the usage of coal and coke in the steel production process.

The HYBRIT project, a partnership between SSAB, LKAB and Vattenfall, is a great example. In August 2021 the project reached an important milestone when SSAB announced that they were the first in the world to produce and deliver fossil free steel to one of its customers. Nel is proud to have delivered the 4.5 MW alkaline electrolyser solution enabling the ground-breaking and emission-reducing new technology.

ENERGY UTILIZATION

Using hydrogen in conjunction with other renewable energy sources, such as solar power, allows for a higher utilization of the power output. The excess production of energy during peak hours can be converted to hydrogen and subsequently utilized at a later point in time. This is important as users can avoid having to sell the electricity back to the grid, just to purchase it again at peak costs. Such a business case becomes highly relevant in areas where the grid cannot guarantee that sufficient levels of renewable energy will be available during off-peak hours.

WATER CONSUMPTION AND WITHDRAWAL IN WATER-STRESS AREAS

Based on the atomic properties of water, 1 kg of hydrogen requires 8.92 litres of water.[1] Comparing water consumption for electrolysis with other energy processes, the water footprint of certain fossil-based pathways exceeds that of hydrogen. Crude oil recovery and diesel refining uses around 40% more water than the production of green hydrogen per unit of energy.[2] From a circular economy perspective, hydrogen technology doesn't consume water as water is produced, in its purest form, at the end of the cycle. It also avoids water contamination associated with various fossil-fuel processes. Water is also produced as a biproduct when hydrogen is used in mobility applications.

Currently, electrolyser technology uses highly purified water. This does not mean, however, additional strain on freshwater systems. The water needed for large-scale electrolysis, can be provided by any water resource (sea water, wastewater, etc.) once demineralised via reverse osmosis (RO) plants.[3] Continuous development of adjoint water desalination plants, alternative modes of low-grade and saline surface water electrolysis,[4] and water provision via wastewater treatment plants provide evidence of their feasibility and cost-effectiveness.[5]

Water stress can also be minimised by adding desalination plants at the electrolyser site.[6] This investment acts as a precautionary instrument to shield local population from water resource deprivation. In fact, should the need exist, water desalination plants for electrolysis could be planned to produce water not just for the production of hydrogen, but also for local use as a freshwater resource for human consumption and/or irrigation, thus creating multiple benefits to the local area.[7]

1 Water statistics - Statistics Explained (europa.eu)
2 (PDF) Development of a Life Cycle Inventory of Water Consumption Associated with the Production of Transportation Fuels (researchgate.net)
3 Quantification of fresh water consumption and scarcity footprints of hydrogen from water electrolysis: A methodology framework - ScienceDirect
4 Electrolysis of low-grade and saline surface water | Nature Energy
5 Resolução do Conselho de Ministros n.º 63/2020 | DRE
6 Shipping Sunshine | TU Delft Repositories
7 Hydrogen Production & Water Consumption, Hydrogen Europe, December 2020

ENVIRONMENTAL IMPACT, ENERGY AND DIRECT GHG EMISSIONS

Addressing Nel's efforts to combat climate change requires looking at both our contribution to the overall energy transition, as well as the emissions we generate in the manufacturing stage.

OUR CONTRIBUTION

The Alkaline electrolysers and PEM electrolyser equipment produced by Nel has no emissions in use when connected to renewable power sources like wind, solar, or hydro power, either grid-connected or off-grid. In fueling, our dispensers unlock the potential to decrease dependence on fossil-based solutions for mobility, thus contributing to the decarbonization of one of the most polluting industries. The flexibility of hydrogen as a fueling source in fuel cell electric vehicles is evidenced in its applicability in both passenger cars, heavy-duty vehicles, buses, train, marine transport, as well as a vast array of industrial and construction equipment vehicles.

EU TAXONOMY REGULATION

The EU Taxonomy Regulation entered into force on 12 July 2020. The EU Taxonomy Regulation requires mandatory compliance for certain market participants and is considered highly relevant for most others. The purpose of the framework is to give all market participants common definitions for what constitutes 'sustainable activity'. The delegated acts on the various climate-related objectives apply from January 1, 2022 (climate change mitigation and climate change adoption) and January 1, 2023 (remaining objectives).

Nel's business activities are covered by the EU Taxonomy on Sustainable activities for climate change mitigation. During the course of 2022, Nel will report on the percentage of its activities that are taxonomy aligned after completing the necessary Do No Significant Harm and Social Safeguards analyses. All of Nel's current activities have the potential to be taxonomy aligned; thus, Nel regards the potential for full alignment with the EU taxonomy as high. Nel will from 2022 report magnitude of EU taxonomy-compliant share of revenue in accordance with relevant reporting standards. In addition, both capital expenditure and operating expense aligned with the EU taxonomy.

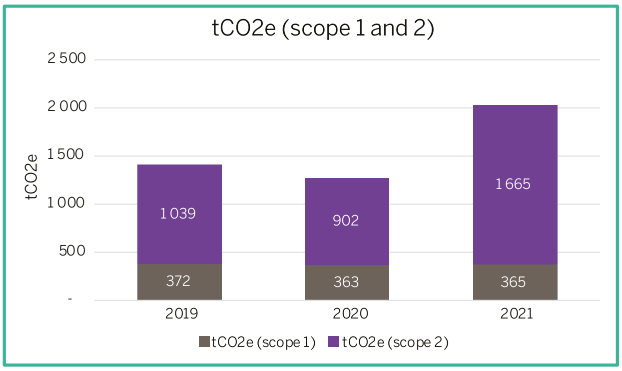
Photo: Melissa Rose

CARBON FOOTPRINT

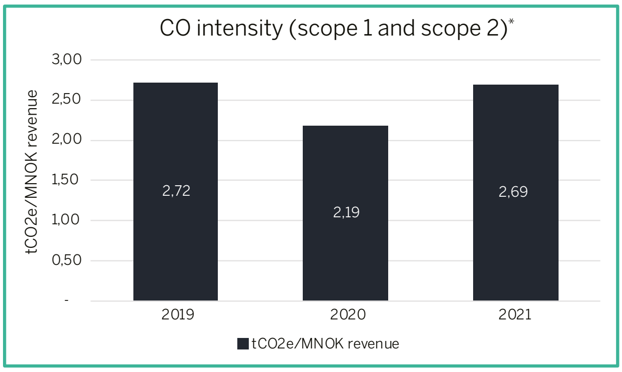
We strive to be transparent with regards to our impact on the environment and continue to improve the internal process for collecting data that provides a relative overview of our emissions and their origins.

The main contributor towards our carbon footprint is related to scope 2 emissions. The electrolyser division consumes energy while performing product testing prior to customer delivery. Other inputs include water and chemicals. Nel's absolute emissions will grow as the company's activities continue to grow. Our goal is to decrease our CO2 footprint and water consumption per product produced. We will achieve this by improving the stability and scalability of our production processes, as well as our overall production efficiency.

Our goal and ambition are to report complete and accurate quantitative data on scope 1 and 2 from 2022. The inclusion of scope 3 emissions is dependent on data from several sources, e.g., travel agencies, freight forwarders, other logistics and meters. To date, this is not included in our calculation of CO2 intensity as it has been challenging to gather complete and accurate data. For next year's report, we aim to extend our reporting scope and include a selection of scope 3 emissions. These have been identified to be air travel, waste and downstream distribution.



The tCOe from Nel operating activities in scope 1 and scope 2 have short payback period when Nel equipment replace fossil fuel equipment in commercial operation.

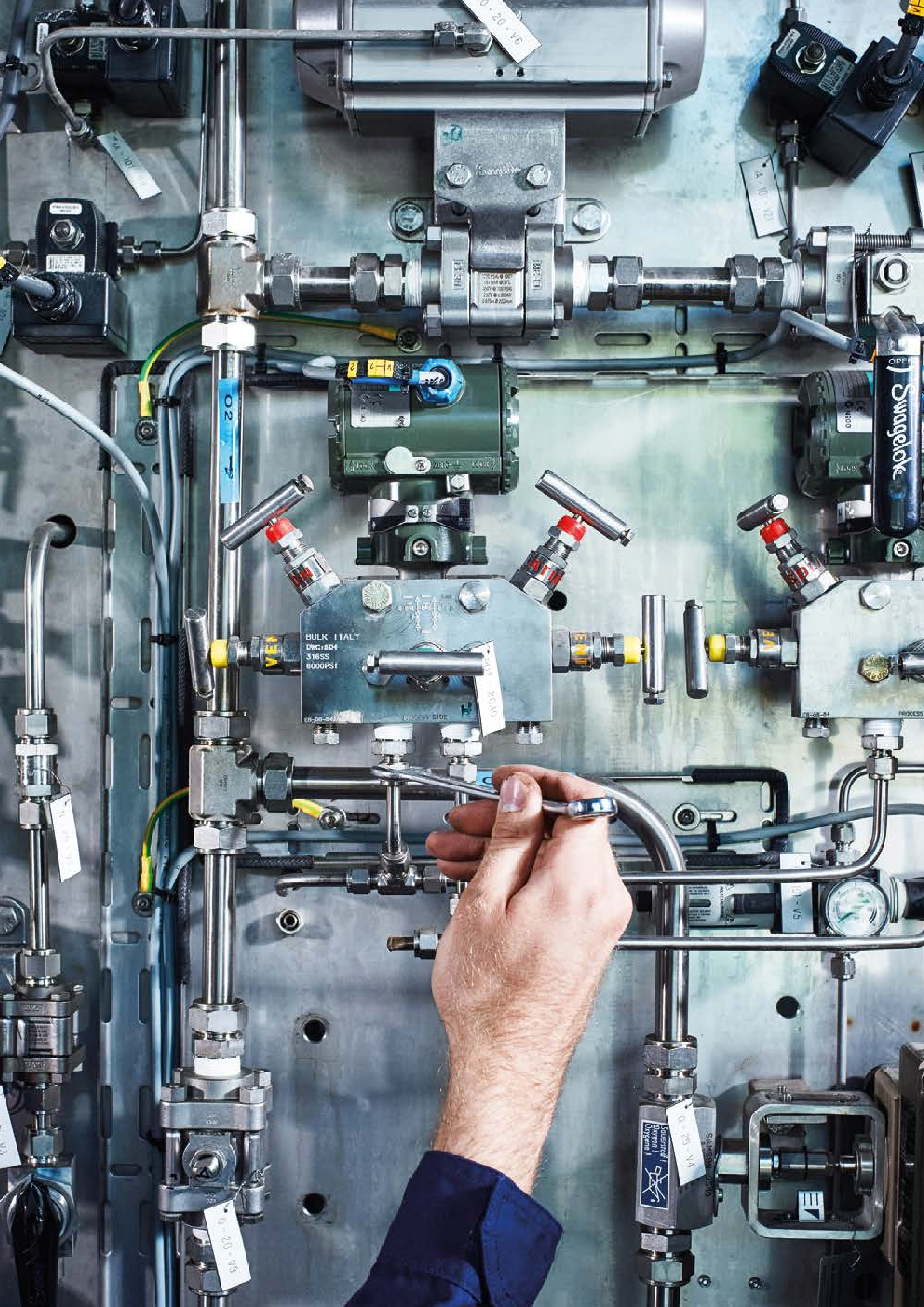


* CO2 intensity is calculated as the sum of scope 1 and 2 emissions (tCO2e) over revenue in NOK million.

IMPROVING SUSTAINABILITY IN PRODUCTION

The environmental footprint of a product throughout its lifetime, factoring in the hydrogen output and production costs, is markedly reduced by utilizing hydrogen solutions compared to traditional energy sources. This does not mean that the production of our applications is entirely carbon-neutral, however. Sustainability in production is a vast topic and is necessary to address in more detail. In our decision to report in accordance with established international sustainability standards lies an important commitment to increase our focus on sustainability in our actions, not just in the opportunities that arise from our products in operation. This requires an organizational adjustment, and we will continuously pursue improvements in all of our operating activities going forward. Among other initiatives, we are working on phasing out the use of hazardous chemicals in production and have set KPIs directly aimed at reducing the carbon footprint at the individual manufacturing facilities. We also aim to address reduction of emissions in the logistics of our supply chain, as well as the shipment of outgoing products. See additional information on the selection of our suppliers in section 'Responsible supply chain'.

In 2022, we aim to implement direct targets and measurable metrics to reduce emissions. We will improve on emission reporting, formalise initiatives through policies and procedures, and encourage dialogue across divisions to identify key areas of improvement. In addition, we aim to implement targets for million tonnes CO2 equivalents avoided from our products and analyse CO2 payback time.


BULK ITALY
DWG:504
316SS
6000PSI
Swagelok

Social

ORGANISATION AND OCCUPATIONAL HEALTH AND SAFETY

At Nel, social responsibility refers to how we address social issues that ultimately impacts our contribution to society at large. Nel's focus on safety is integrated into a company-wide programme initiated in 2020. The purpose of the programme is to foster a common, sustainable safety culture that drives a zero-tolerance attitude towards HSE incidents for all Nel employees. This ongoing effort drives a culture of continuous improvement and a sustainable safety culture at Nel. The approach is anchored with Nel's executive management team and Board of Directors and is reviewed on an annual basis.

The programme will focus on the following three areas:

- Product safety, which relates to Nel's ability to ensure methods and tools for how to design products safely. The safety programme will investigate product design tools across the group, including common design criteria
- Workplace safety, which relates to ensuring a transparent governance structure, including updated standards and procedures for working safely, both at Nel sites and externally. It deals with the whole organization around HSE initiatives and activities, at both the global and local levels
- Stakeholder safety relates to suppliers, contractors, customers and partners that Nel engages with. All should be brought up to a minimum knowledge in Nel's safety procedures and rules of conduct at our locations

Nel recognises that ensuring workplace, stakeholder and product safety in a diligent manner is a license to operate within the hydrogen industry.

The above three categories will have the following focus areas:

1. Transition to a "HSE-first" mindset and development of a commitment culture
2. Ongoing development and implementation of a Nel HSE management system
3. Standardization of programme activities where relevant throughout the organization
4. Training and evaluation of the organization and system effectiveness

As part of Nel's response to the COVID-19 pandemic, the company established a task force team with representatives from Nel's main sites. This team developed guidelines for preventive measures to ensure Nel employees' health. During the critical moments of the pandemic throughout much of 2021, the number of on-site employees was reduced to a minimum to keep the business operational. As the different Covid variants developed and affected the regions where we are in operation or have client relationship, Nel was careful to follow national authorities' recommended guidelines and mandates.

Following HSE and quality being #1 priorities within Nel, all Nel sites have management systems in place that safeguard our employees' health and safety. Ensuring that employees work in a safe and healthy environment is the key for a successful business. Nel aims to provide a workplace for everyone that is free of incidents and injuries, and to promote a culture of hazard identification and awareness through incident reporting and self-accountability. Employees are provided with appropriate training and equipment to perform their job safely. The guiding principles for workplace safety are laid out in the Nel Code of Conduct.

Each Nel location has a management team member assigned to ensure that all mandated health and safety guidelines are followed. Relevant indicators on work related injuries and illness are monitored and reported at a corporate, divisional and local level.

Total recordable injuries frequency (TRIF) in 2021 is 4.9 (2020: 11.2). TRIF is measured as total recodable injuries per million hours worked.

Occupational health and safety targets for 2022:

- QHSE target of zero incidents, including at sites with Nel equipment
- Recognized safety leader within the industry, setting new industry safety standards across the value chain

PRODUCT SAFETY

Safety has first priority at Nel. Management and all employees are strongly committed to the company's promise of delivering fail-safe products to our customers. The product safety risks include the risk range from major accidents to near misses related to malfunctions in our products and/or insufficient service during operations and maintenance. Each division and legal entity in Nel are responsible for the development, implementation and maintenance of risk management framework and system within each discipline. In our development of products, Nel never compromises on safety requirements, codes and standards.

Where applicable, safety requirements include third-party product certification for design and manufacturing. In addition, a Nel HSE committee that works across the organization and consists of participants from each legal entity, as well as the corporate function, ensures learning across sites and the establishment of best practice. Third-party experts are involved as subject matter experts when applicable. In 2022, Nel will continue the implementation of even more rigorous methodologies, e.g., a review system where specific areas will be assessed to identify areas of improvements.

In 2021, Nel adopted the strategic decision to establish the Nel Business System (NBS). NBS will be implemented across Nel in 2022. NBS focuses on how Nel will achieve customer satisfaction and have HSE, quality and ethics as first priorities to achieve this. The introduction and training for both leadership and Nel as a whole for this initiative will be conducted in 2022. The Nel Business System will be a part of our employee value programme.

Product safety targets for 2022:

- Zero product-related incidents, including at sites with Nel equipment
- Recognized safety leader within the industry, setting new industry safety standards across the value chain

RESPONSIBLE SUPPLY CHAIN

A well-functioning supply chain is determined to be one of Nel's key success factors. Nel's yearly spend on purchasing goods and services is a significant part of total revenue, equalling approximately NOK 562 million. Nel expects that the total spend will increase in line with Nel's increased activity level. A responsible supply chain is therefore an integral component of our sustainability efforts, and we seek to select and further develop suppliers with high standards. We are committed to work with our Supply chain in order to contribute to the publicly-stated objective of a TCO (Total cost of Ownership) of $1.50 per Kg of hydrogen.

One of the key activities for the 2021 was to strengthen our supplier base with new competitive suppliers capable of the managing the marked growth and also being able to deliver large and complex systems. Nel has qualified and entered supplier agreements with a great number of new suppliers. This sums up in a robust supply chain which enables Nel to continue the growth.

The corona pandemic challenged the process of conducting on-site supplier audits. Both national and international lockdowns impeded visitations throughout the year, most considerably in the first quarters. Despite the challenges, Nel managed to conduct 15 audits in 2021, well above the target of 10 key supplier audits. We continue to perform supplier audits as a part of Nel's supplier selection process and aim to conduct audits on 100% of our key suppliers.

Nel has met its 2021 target of developing and screening new direct high-risk suppliers using a revised pre-qualification process. The supplier pre-qualification process has been implemented across the Nel Group for complex projects. It contains a foundation of common questions for all business units, with adjustments made to fit the objective for each case or business unit. The process has been formalized in a digital environment to optimize the pre-qualification process.

Early in 2021, a Nel Procurement Community was established consisting of key members across Nel. This includes members from corporate projects, legal and sustainability in Nel ASA, as well as supply chain and procurement directors in all Nel Business Units. Nel Procurement Community was established to:

- Have a forum for raising topics related to supply chain, procurement, and contract topics
- Develop a robust supply chain across Nel
- Share knowledge, best practices and working methods
- Align work processes and establish common guidelines for the Nel Group
- Establish, monitor, and discuss common goals and targets, guided by the targets presented in the Nel Sustainability Report 2020

Nel experiences a continued increase of focus and expectations related to ESG topics. The Community met monthly throughout 2021, and consistently included ESG as the backbone in all meetings. By working towards integrating a systematic ESG approach, we ensure compliance with both legal requirements as well as alignment with initiatives in which Nel has committed to. As a result, ESG has held a prominent position in our supply chain efforts in 2021. The community will continue its efforts of unifying our supply chain activities across Nel in 2022.

Other significant organizational developments

- Areas of competence that have been strengthened throughout the year
- Changes in training and/or competence development
- Increased Total Cost of Ownership focus
- Strengthen the Supply chain organization significantly to scale-up for increased number of projects.

Significant supply chain changes

- Ramp up for Supplier capacity to meet the increasing demand.
- Opening of Herøya facility
- Established partnership with major EPC companies
- Increased local Contractor capacity

Building on the goals and targets laid out for this year, the Nel Procurement Community has identified a selection of key areas for development throughout 2022. This includes continuing to develop the pre-qualification and supplier development programme by establishing a supplier portal enabling Nel suppliers readily available access to amongst other our whistleblower programme, the "Nel Ethics Hotline", key documents and information and other relevant tools for the engagement with Nel.

Responsible supply chain targets for 2022:

- Deliver on supplier cost savings plan in support of TCO roadmap of USD 1.5 per kg of hydrogen by 2025.
- Secure the required capacity and supply of goods in a challenging market, so the supply of goods will be delivered on time and with no or limited delays in operations and installation.
- Ensure highest quality and HSSE performance through additional supplier audits and launch of supplier development programme

CYBER SECURITY

IT and cyber security improvement initiatives are high on our agenda. Protecting our operations is essential and will become increasingly important as the global use of connected devices continues to rise. Protecting our intellectual property will remain a priority, especially as the use of big data, such as at our fueling stations and electrolysers, continues to increase in importance. All relevant employees are required to complete IT-security training on a monthly basis. External consultants have been engaged to uncover and report on IT-related security threats.

Our manufacturing facilities are only somewhat integrated into the IT-systems and run mostly independent. Part of the production process involves higher degree of robotisation which are connected and consequently constitutes an increased risk.

As far as we are aware, there were no breaches of customers' privacy in 2021, nor were there any reported cases of identified leaks, thefts, or loss of customer data.

DIRECTORS & OFFICERS INSURANCE (D&O)

Based on new requirements brought by the Norwegian Accounting Act section 3-3a, information about our D&O insurance is provided. Nel has entered into a D&O liability insurance. This insurance is meant to prevent employees and members of the Board at Nel from being held personally responsible for decisions made by the company. The insurance applies to all material decisions made by employees on behalf of Nel.

WELL-BEING AT WORK

From 2021 Nel has strengthened its focus on HR development at the overall corporate level. The HR directors in the business and the newly recruited Chief HR Officer (CHRO) started to work in a matrix organization, ensuring a better alignment of HR across Nel and with the Nel Business System as backbone for all development. This approach will help establish a common HR governance, a strong foundation for people and organizational development and support continuous HR improvements across the business. In 2022 we will also introduce more common systems and systematic approaches to HR processes across our businesses. This will also include a high focus on developing a common culture with focused development tools at all levels of the organization.

Our HR work is essential to continue attracting and developing the best talents in our industry, in order to develop world-class technology, products and solutions for our customers. Managing people and competences lies at the core of Nel's further development.

Many competence development activities were performed in 2021, linked to ISO certifications. Going forward, more skills development programmes will be adopted, in alignment with our culture and values, based on the Nel Business System.

ABSOLUTE NUMBER AND RATE OF EMPLOYMENT

Permanent and temporary employees, by region and gender

	2021	2020	2019
Norway	**149**	**98**	**55**
Women(%)	20 %	22 %	25 %
Men(%)	80 %	78 %	75 %
Denmark	**182**	**157**	**127**
Women(%)	15 %	15 %	16 %
Men(%)	85 %	85 %	84 %
USA	**151**	**121**	**118**
Women(%)	21 %	23 %	20 %
Men(%)	79 %	77 %	80 %
South Korea	**25**	**17**	**10**
Women(%)	17 %	12 %	10 %
Men(%)	83 %	88 %	90 %
TOTAL	**507**	**393**	**310**

We strive to increase our gender balance across the different locations. We focus on diversity through the recruitment process, ensuring that we offer equal opportunity to all relevant applicants.

Age distribution of workforce

	2021	2020	2019
Under 30	73	62	52
30-49	281	201	154
50+	153	130	104
TOTAL	**507**	**393**	**310**

Collective bargain agreements

COLLECTIVE BARGAIN AGREEMENTS	2021	2020	2019
Norway	26 %	24 %	N/A
Denmark	34 %	42 %	39 %
USA	0 %	0 %	0 %
South Korea	0 %	0 %	0 %

Permanent and temporary positions

PERMANENT AND TEMPORARY POSITIONS[1)]	2021	2020	2019
Permanent	500	390	308
Temporary	7	3	2
Women(%)	14 %	33 %	0 %
Men(%)	86 %	67 %	100 %

[1)] the percentage of women and men are related to temporary positions

Sick leave

	2021	2020	2019
Sick-leave	2.40 %	4.28 %	2.36 %
Coverage of employees	90 %	91 %	94 %

Parental leave

Nel encourages all female and male employees to take parental leave and assures them employment after their leave as it is important for our employees in terms of work-life balance and well-being. There has been a limited number of employees on parental leave during 2021.

NORWAY	MALE	FEMALE
Entitled to parental leave	3	1
Took parental leave	3	1
Returned to work after parental leave ended	3	1
Still employed 12 months after their return from parental leave	3	1

In Norway, 100% of employees entitled to parental leave took parental leave during 2021. In addition, all such employees returned to work and are still employed 12 months after their return.

DENMARK	MALE	FEMALE
Entitled to parental leave	9	2
Took parental leave	2	2
Returned to work after parental leave ended	1	0
Still employed 12 months after their return from parental leave	NA	0

It has not been possible to report on "still employed 12 months after their return from parental leave" in 2021 for males in Denmark as 12 months has not passed as of 31 December 2021.

Photo: Unsplash.com

Governance

Ethical business conduct and compliance

Nel conducts business on all continents and the demand for Nel's hydrogen solutions is growing internationally. Through our expanding portfolio of international projects, Nel has a significant number of third-party relationships and we frequently participate in forms of collaborations with other companies operating in the hydrogen industry. For businesses with a significant international footprint, a robust culture of compliance is vital to achieve sustainable value creation and success.

In 2021, the Board of Directors and the executive management team have continued their work to strengthen Nel's compliance system. The Board of Directors approves the content of the overall compliance program and the individual compliance policies. The individual procedures are approved by the CEO. The Board of Directors and the executive management team are enrolled in the compliance training program and their training is monitored and followed up in the same manner as for other employees.

The purpose of the compliance program is to prevent and mitigate compliance risks by enabling all persons and entities working for or on behalf of Nel to understand, observe, and adhere to Nel's governance framework. All Nel's activities must comply with national, regional, and international laws. Through the Nel Code of Conduct, we stipulate the essential requirements that all Nel's activities shall be conducted in an ethical and sustainable manner.

The final quarter of 2020 saw the completion and launch of the Nel Anti-Bribery and Corruption Policy ("ABAC Policy"), the Nel Competition Law Policy and the Nel Code of Conduct. The Nel Third-Party Management and Integrity Due Diligence Procedure ("Third-Party Procedure") was completed and released in February 2021. Following the launch and gradual implementation of the Third-Party Procedure throughout the organization Nel is routinely conducting an integrity due diligence on all third parties with which it does business.

Throughout 2021 Nel worked on developing policies and procedures concerning data protection and export compliance. In January 2022 the Nel Data Protection Policy was launched. The purpose of the policy is to ensure compliance with EU General Data Protection Regulation ("GDPR"). As a necessary supplement to the Data Protection Policy, Nel also launched the Procedure for Handling Data Subject Requests and Procedure for Handling Personal Data Breaches.

Finally, Nel will launch a revised Export Compliance Procedure in April 2022. The release of the Export Compliance Procedure marks the completion of the process of revising Nel's compliance system.

During 2021 the Nel Code of Conduct was published on our website to increase the general public's access and insight into the efforts we are making within the compliance field. We aim to publish more information regarding our compliance system on our website during 2022.

All new employees need to confirm compliance with Nel's Code of Conduct as part of onboarding process. Further, all employees will be required to sign off on Nel's Code of Conduct on an annual basis.

Training of employees is crucial for an effective compliance program and following the completion of the revised compliance system we will in 2022 increase our focus and effort on training the organization. We have entered into an agreement with a reputable third-party provider of compliance services, including compliance training, and we are conducting e-learning compliance training of our personnel in topics such as anti-bribery and corruption, export compliance and harassment. The service providers' training software allows Nel to enroll our employees and efficiently monitor and follow up to ensure that training is completed. It further allows us to conduct targeted training for specific categories/groups of employees. The e-learning is further supplemented by digital training, and face-to-face training conducted by Group Legal and compliance.

- 100% of Nel's executive management team and Board of Directors have completed the anti-bribery and corruption and Code of Conduct training for 2021

Whistleblowing

In September 2020, our whistleblowing channel – the Nel Ethics Hotline – was completed and launched on our intranet, and we established a system for conducting investigations of reported concerns. Following the launch, we have worked to raise awareness of the initiative within Nel and also with external stakeholder. To this end we have added a link to our whistleblower channel on our official website.

In 2021, Nel's Ethics Hotline received 4 notifications classified as harassment or discrimination. Of the notifications, 3 are resolved and 1 is ongoing. The outcomes of cases resolved resulted in disciplinary sanctions including written warnings and dismissals.

Compliance targets for 2022:

- 100% of Nel's executive management team and Board of Directors to have completed the anti-bribery and corruption training during 2022
- 100% of relevant Nel employees to have completed e-learning compliance training in topics such as anti-bribery and corruption, export compliance and harassment.

Our guiding star

Simplicity.

We believe being a Nel customer should be simple, with complete solutions that meet any requirement. We value technology that is easy to operate, has a long lifetime, low cost of ownership, and is hassle-free for the end user.

INNOVATION AND TECHNOLOGY

Financial investment contribution

All research and development (R&D) work at Nel is targeting safe, well-performing and cost-efficient products for our customers. This includes reducing both initial capital expenditures, upgrades and operational expenses during the products' lifetime. Maintaining a leading position requires that Nel pursues product optimization and cost-reduction programs reducing the products total cost of ownership (TCO) for Nel's customers. At Nel, being "number one by nature" will always be our strategic ambition, and consistent R&D is necessary to maintain and develop this position further. Including all development work at Nel during 2021, total R&D spend was NOK 163.0 (115.8) million, of which NOK 118.9 (84.3) million was capitalized as technology development and NOK 44.1 (31.5) million was expensed as research and maintenance. The total spends in Electrolyser Norway, Electrolyser US and Fueling was NOK 36.3 (32.7) million, NOK 60.6 (37.6) million and NOK 66.1 (45.5) million, respectively. R&D spend in 2021 was 20% (18%) of annual revenue and other operating income.

In the beginning of 2020, it was decided to establish a Corporate technology team that reports to Nel's CEO. The team is responsible for Nel's core technology areas and includes a professional network which strengthens the focus and knowledge of process safety and performance across the different technology disciplines. Nel's technology portfolio includes multiple key development programs for both electrolysers and fueling stations. Nel has an active IP protection strategy and has more than 100 active patents. Nel's IPR strategy is gatekept and further developed by a Nel IPR committee that works across the organization and meets bi-weekly.

Electrolyser

Our electrode manufacturing process for alkaline electrolysers in Norway has almost a century-long history. Leveraging on the extensive experience, the strategy continues to include further improving and strengthening our electrode manufacturing. The goal is to reduce the number of processes required, thus markedly reducing the consumption of energy, raw materials, chemicals, and the factory footprint. By implementing these changes, Nel will be able to reduce the cost and emission of electrode manufacturing. The specific energy consumption of producing hydrogen from Nel electrolysers is targeted to be reduced by up to 10% through various improvement enablers. Standardization is an important step for scaling up manufacturing with related cost-reduction programs in place. The standardization will be skid-based, containing prefabricated modules where all safety standards are embedded in the system. In addition, Nel sees the potential to improve the efficiency and capacity of its cell stacks. To achieve this, key enablers are improvements to the electrode form, increasing the active electrode area, and increasing current density.

Fueling

Nel has in recent years carried out vast development activities to support its light-duty fueling station products. Some of the core technologies are the control and cooling systems, as these ensure a fast, safe and complete fueling of the vehicle according to the SAE J2601 standard, which is required by the car manufacturers. Some of these components are also compliant with international emission standards. In addition, the entire system and platform design are key to achieving a stable and reliable system, ensuring high availability for vehicle users. Nel has also initiated a heavy-duty fueling station product platform development that will serve the increased need for truck, bus and train hydrogen fueling. Overall, we see a large increase in utilization of our fueling stations and are investing in engineering to continuously improve on their safety and reliability.

Innovation and technology targets for 2022:

- At least 10 % of revenue to be spent on Innovation and Technology
- Five new innovative ideas and two new patent applications/trade secrets to be developed in 2022

RESILIENCE

Climate resilience in Nel's strategy

Considering that 100 % of Nel's revenue comes from green hydrogen technology, the resilience of Nel's strategy within the different climate-related scenarios is robust. Key considerations are how fast our customers' industries move towards green hydrogen use, how complex the green technology will be and price competitiveness. The strategy is stress-tested against different scenarios to assess parity with both fossil energy, grey and blue hydrogen.

The hydrogen market is already large but with only a fraction served by electrolysis there are significant opportunities to turn the existing market green. In addition, we see regulations supporting the transition across the globe, with the EU and the US pledging hundreds of billions of dollars into their zero-emission programs where hydrogen serves a vital part as the energy carrier of choice. The growth will not only come from industrial applications, but also from transforming the current diesel-based heavy-duty transportation to run on zero-emission and cost-efficient green hydrogen. These developments require low-cost electrolysis and ultra-fast fueling, both areas where Nel is the global leader. Thus, we see a resilience in our strategy to invest in both electrolyser technologies, PEM and Alkaline, and hydrogen fueling technology.

There is uncertainty associated with the timing and pace of the exponential growth expected in the hydrogen industry. There is a risk that Nel is either moving too quickly or too slowly, meaning we are either over- or under investing in technology and ramp-up.

Resilience in manufacturing facilities

Nel has expanded electrolyser production to accommodate large-scale projects by constructing a fully automated manufacturing facility at Herøya, Norway. The factory is designed according to lean manufacturing and industry 4.0 principles and represents the first industrial-scale production of electrolysers. The capacity of the facilities is 500 MW annually for the initial investments and can be expanded to 2 000 MW. This compares to 40 MW annually at the former production facility.

4.3 Risks and opportunities

Nel's regular business activities entail exposure to various types of risk. The company proactively manages such risks and the board of directors regularly analyses its operations and potential risk factors and takes steps to reduce risk exposure.

Nel places strong emphasis on quality assurance and has quality systems implemented, or under implementation, in line with the requirements applicable to its business operations.

Nel is operating in a fast-growing, emerging market, with a long list of initiatives in many regions. The need to address growth opportunities ahead of actual market demand, balanced with the need to conserve cash, is a continual challenge.

In this phase of fast growth there are especially risks associated with technological change, both related to technology elements within the field of hydrogen as well as technology elements outside of the field of hydrogen that potentially could make green hydrogen less relevant for the future. Additionally, if competitors gain advantages in the development of alternative technologies, this could affect the competitive position of the group.

Further, Nel's ability to grow depends to a substantial degree on its ability to successfully acquire new customers, and to maintain and grow its relationships with a relatively small number of existing customers. A number of Nel's existing and potential customers are themselves planning substantial growth, and should these customers fail to succeed with their business plans or fail to fulfil their contracts with Nel, Nel's sales to such customers may be adversely affected.

Nel is also to a certain degree dependent on a limited number of third-party suppliers for key production components for its electrolyser and hydrogen fueling products. To reduce the sourcing risk Nel's supply chain strategy is to have dual supply chains on all components. Nel currently has few components with single source and is at the risk of temporary supply chain disruptions should one or more suppliers fail to deliver. Another supply chain risk is whether the suppliers can follow the expected growth of the industry. In addition to making its current supply chain more robust, Nel is working to facilitate increasing volumes from important sub-suppliers. The timing of addressing such elements and risks is important. Moving too fast could result in an unnecessarily high cost level, with cash requirements beyond the current financing plan.

A complete range of operational, financial, market and climate-related risk factors are discussed in detail in notes 6.1, 6.2, 6.3 and 6.4, respectively.

Atmospheric Alkaline Electrolyser, A485

4.4 Outlook

Sustainability future prospects

Being accountable for our environmental footprint is emerging as a pivotal component in corporate transparency, and we aim to provide information as sought out by our key stakeholders. Nel strongly believes that the green hydrogen market has a potential of unknown magnitude, supported by a wide body of research. Virtually every industry needs to realign their energy mix if we are to stand a chance of achieving the UN Sustainable Development Goals, and renewable hydrogen will be a part of the energy mix that enables the transition.

Ramp-up investments, organizational expansion and new markets were a few of the highlights of this past year, signalling that demand is growing fast. Combined with an ambitious strategy of drastically reducing the total cost of ownership (TCO) to customers, we have established a solid framework for the years to come. We must ensure that sustainable business is influencing all of our decision-making and operations. Moving forward, our global presence, coupled with strong financing, will help us remain the preferred partner that provides world-class safety. It will ensure that we maintain our position as a technology front-runner, through scalability and cost leadership.

Our goal is to further develop and improve our reporting in the coming years, with the aim of including a wider range of quantitative measures of the ESG-reporting metrics into our report. Among other things, we aim to quantify environmental targets and metrics, improve our emission reporting and demonstrate our ESG commitment at all levels of the organization.

Business outlook

Nel aims to capitalize on the developing opportunities within the hydrogen industry as they relate to the coming shift from hydrogen produced using fossil fuels to hydrogen produced using renewable power. Nel sees a rapidly increasing pipeline of opportunities. External and internal analyses support a market view that multiple gigawatts of electrolyser projects could reach final investment decision before 2025. Within electrolysers, the most near-term opportunities are within industrial applications. Projects will likely come first in mature markets near large hydrogen consumers, before sizeable greenfield installations integrated with renewable energy sources gradually become the leading market segment. The increasing size of projects leads to a longer preparation and negotiation phase with significant paid and unpaid engineering work. For fueling applications, the market is shifting from individual station orders to larger framework contracts.

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.

To maintain and strengthen our leading position in the growing market for green hydrogen applications, Nel will continue to invest to build scale and to develop our 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. Further organizational growth will be closely linked to increased order intake and tender activity.

As communicated, 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 and travel restrictions due to the Covid-pandemic. At the same time, raw material costs have increased. In combination all of these factors have put pressure on our margins and are expected to continue to do so in the medium term.

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 green hydrogen market continues to expand, and contracts continue to grow in size, scope and complexity.

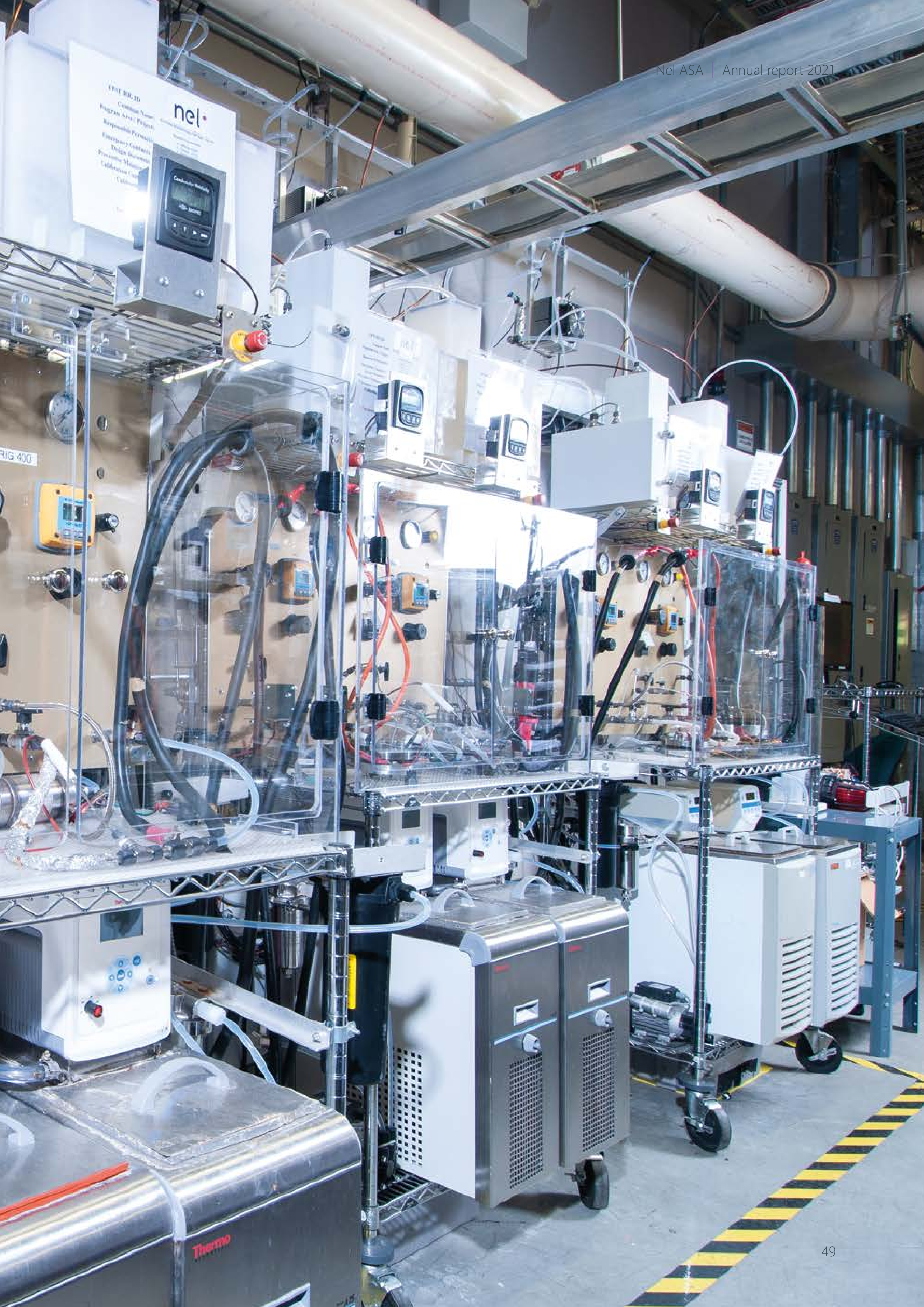
RESPONSIBILITY STATEMENT

"We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2021, up to and including 31 December 2021, have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and that the directors' report includes a fair review of the development and performance of the business and the position of the company as a whole, together with a description of the principal risks and uncertainties the company faces."

OSLO, 22 MARCH 2022

THE BOARD OF DIRECTORS

Ole Enger Chair (Sign)	Beatriz Malo de Molina Board member (Sign)	Charlotta Falvin Board member (Sign)
Finn Jebsen Board member (Sign)	Hanne Blume Board member (Sign)	Tom Røtjer Board member (Sign)
Jon André Løkke CEO (Sign)		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5 Board of directors' report in relation to the Norwegian code of practice for corporate governance

1. Report on corporate governance

The Board of Directors (also, the board) and management of Nel are committed to maintaining high ethical standards and promoting good corporate governance. The company believes that good corporate governance builds confidence among shareholders, employees, partners, customers, and other stakeholders, and thereby supports maximum value creation over time. The equal treatment of all shareholders lies at the heart of the company's corporate governance policy.

Nel's Corporate Governance Report is based on the Norwegian Code of Practice for Corporate Governance ("the code" from NUES), dated 17 October 2018 and its amendments. The code is available on www.nues.no

Observance of the recommendations is based on the "comply or explain" principle. Nel's Board of Directors and management have resolved to follow the recommendations of the Code to the extent deemed reasonable in view of the company's size.

2. Business

Nel ASA's business purpose is defined in the company's Articles of Association, section 3: "The Company's business is to conduct business, invest in and/or own rights in production and sale of hydrogen plants, hydrogen fueling stations, or other related areas."

Nel is a leading pure play hydrogen technology company with a global footprint, developing optimal solutions to produce, store and distribute hydrogen from renewable energy. Our hydrogen solutions cover important parts of the value chain: we enable global decarbonization of large industries such as cement, steel and fertilizer production, while also providing fuel cell electric vehicles with the same fast fueling and long driving range as fossil-fuelled vehicles - without any emissions. Nel is committed to creating value for shareholders in a sustainable manner.

3. Capital and dividend

The company's registered share capital as of 31 December 2021 consisted of 1 460 799 488 shares, including both outstanding shares and treasury shares, with a par value of NOK 0.20 per share.

Under the company's strategy, dividends are not currently planned during this stage of the company's development.

4. Equal treatment of shareholders and transactions with related parties

All shares in Nel carry one vote, and the shares are freely transferable. The company has only one share class, and all shareholders have equal rights. Existing shareholders are given priority in the event of share capital increases unless special circumstances warrant deviation from this principle.

At the annual general meeting on 15 April 2021, the board was granted authorisation to increase the share capital with up to NOK 29 145 949 through one or several capital increases. The board has also been granted authorisation to acquire shares in Nel on behalf of the company, for a total nominal value not exceeding 10% of the share capital at any given time.

Transactions between the company and related parties, including members of the board or persons employed by the company either personally or through companies belonging to related parties, must be based on terms achievable in an open, free and independent market, or on a third-party valuation.

Major transactions with related parties must be approved by the general meeting.

5. Free transferability

The company's shares are listed on the Oslo Stock Exchange under the ticker "NEL" and are freely transferable. The Articles of Association contain no restrictions on transferability.

6. General meeting

Shareholders can exercise their rights at general meetings, and the company wants general meetings to be a meeting place for shareholders and the board of directors. The company will seek to enable as many shareholders as possible to participate in general meetings. Meeting documents will be published on the company's website no later than 21 days before a general meeting. The company endeavours to ensure that meeting documents are sufficiently detailed to enable shareholders to take a view on all matters to be considered. The deadline for notifying attendance at a general meeting is set as close to the meeting as possible.

Shareholders who are unable to participate themselves may vote by proxy. The proxy form will be designed so that it can be used to vote on all matters up for consideration, and on candidates for election.

In 2021, the annual general meeting was held on 15 April and 10.96 percent of the total share capital was represented. The annual general meeting was conducted digitally due to the Covid-19 pandemic, with a live webcast and electronic voting on each item.

The company will encourage board members and nomination committee to attend general meetings. The external auditors are also invited to attend.

In accordance with the articles of association, general meetings are chaired by the board chair if no-one else is elected to do so. Minutes of general meetings are published in the form of stock exchange notifications and on the company's website.

7. Nomination committee

In accordance with Nel's articles of association, the general meeting shall establish a nomination committee comprising of three to five members. These must be shareholders or representatives of shareholders. The nomination committee evaluates and proposes board members to the general meeting and makes recommendations on director remuneration. No board members or representatives of company management are members of the nomination committee. Nomination committee members are elected for a one-year term. At the general meeting on 15 April 2021, the following persons were elected to the nomination committee and serve until the 2022 annual general meeting:

- Fredrik Thoresen, chair
- Leif Eriksrød, member
- Eivind Sars Veddeng, member

During the one-year term, the chair had to resign caused by conflict of interest. The nomination committee continued the remaining term with two members. This has been a short-term deviation from the articles of association. On the next annual general meeting, 21 April 2022, three to five members to the nomination committee will be elected in accordance with articles of association.

8. Board of Directors composition and independence

The board members and chair of the board are elected by the general meeting. The board's composition is designed both to represent the interests of all shareholders and meet the company's need for expertise, capacity, and balanced decision-making. The board should function as an effective collegiate body.

The board is elected for a one-year term, and board members may stand for re-election. The CEO is not a member of the board. According to its articles of association, Nel's board must have between four and seven members.

At the annual general meeting 15 April 2021, Ole Enger, chair of the board, Hanne Blume, Finn Jebsen, Beatriz Malo de Molina, Charlotta Falvin and Tom Røtjer were all re-elected to the board of directors.

Each of the board members are considered independent from the company's day-to-day management. The board is qualified to assess the day-to-day management and significant contracts entered into by the company on an independent basis.

See also note 7.4 (group) and note 13 (parent company) for transactions with related parties.

9. The work of the Board of Directors

A plan for the board work is prepared every year. The board has also adopted instructions for the board and CEO, detailing the work and responsibilities of the board and CEO, respectively. The board ensures the company's business is properly organised and that plans and budgets are prepared. The board's plans and rules of procedure ensure the board is kept informed of the company's financial position and that the business, asset management, and accounts are subject to controls.

Nel's Code of Conduct includes guidelines for how conflicts of interests that may arise should be handled with. The code applies to all members of the Board and employees of Nel. The Board are not aware of any transactions that were material between the group and its shareholders, board members, executive management or related parties in 2021, save any listed under item 8 independence.

The chair of the board ensures the proper functioning of the Board. The chair of the Board leads the board meetings and prepares board matters in cooperation with the CEO. The CFO keeps minutes of Board meetings, which are approved and signed by all board members. In addition to ordinary Board meetings, annual strategy meetings are held, devoted to the in-depth assessment of major challenges and opportunities for the company. The Board manages the company's strategic planning and assesses its strategy regularly.

The Board evaluates its composition and the board work at least once per year. The evaluation may also cover the way in which the board functions, at both individual and group level, in relation to the objectives that have been set for its work. The evaluation reports are presented to the nomination committee.

In 2021, the Board conducted 14 board meetings with 100% meeting attendance, held at group headquarters in Oslo and/or virtual meetings due to travel restrictions under covid, and also treated a number of issues by circulation of documents.

The company has an audit committee consisting of 2 members from the Board, which is governed by the Norwegian Public Limited Liability Companies Act. The audit committee assist the board in exercising its oversight responsibility with respect to the integrity of the company's financial statements, financial reporting processes and internal controls, risk management and compliance system. The members of the audit committee are appointed by and from the members of the board, and currently consist of Finn Jebsen as chair and Beatriz Malo de Molina as member. Current members are independent of the company's management. The audit committee conducted 10 meetings with 100% meeting attendance.

The company has a remuneration committee, which consist of 2 members from the Board. The committee shall assist the Board in exercising its oversight responsibility, in particular to compensation matters pertaining to the CEO and other members of the executive management, compensation issues of principal importance and strategic people process in the company, in particular related to succession, recruitment, talent and diversity and inclusion. The committee was established during 2021 and currently consist of Hanne Blume as chair and Ole Enger as member. The committee has held 1 meeting with 100% meeting attendance. In addition to this formal meeting, the remuneration committee worked in 18 dedicated meetings, including on the recruitment process leading to the selection of a new CEO . The committee had also several meetings working on the remuneration benchmark for the CEO and for the rest of the Group Leadership team. The committee was also involved in discussions related to the recruitment of strategic positions for Nel and for scoping the focus of the work through the Terms of Reference.

10. Risk management and internal controls

Risk management and internal controls are important to Nel. They enable the company to achieve its strategic objectives, and are an integral part of management decision-making processes, the organisational structure, and internal procedures and systems.

Nel's enterprise risk management process is value driven and aims to identify, assess and manage risk factors that could impact the value of the company. The process is to mitigate potential damages and loss, and to explore business opportunities.

The enterprise risk management function has the responsibility to facilitate the legal and operational risk management activities and develop risk policies and tools as well as maintaining an aggregated view of risk exposure. The function reports to the CFO, with active involvement by Nel's General Counsel.

Risk management and internal control requirements have been evaluated by management and the board of directors, and a set of appropriate procedures and our established framework is inspired by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) ERM framework and the ISO 31000 risk management standard. The materiality of each risk factor is determined by assessing the likelihood and consequence. Risks are evaluated to determine whether the level is acceptable or unacceptable and to prioritise those that have the greatest potential to impact our value. We implement mitigating strategies to ensure that each risk is optimally managed. Risk mitigation plans are based on evaluations of the cost of control and potential impacts relative to the benefits of reducing the risk. The operating segments are responsible to maintain business continuity plans. The post-mitigation residual risks are continually monitored by the operating segments. The mitigation strategies, residual risks and risk appetite are reviewed and updated by the executive management during bi-yearly business review meetings. The Board believes that expressing the company's risk appetite within important areas of its business activity helps to convey how the company approaches and evaluates risk to investors, customers and society at large. The audit committee performs ongoing evaluations of the Company's Enterprise Risk Management process.

In this context, emphasis is also given to ensuring that the company operates in accordance with accepted ethical guidelines and values, including guidelines on how employees can communicate matters relating to illegal or unethical behaviour on the company's part to the board. Nel believes that its values and control procedures meet requirements found within the environmental, social, and governance domain, and are proportionate to the scope and nature of its business.

Nel's regular business activities entail exposure to various types of risk. The company proactively manages such risks, and the board regularly analyses its operations and potential risk factors and takes steps to reduce risk exposure. Nel places a strong emphasis on quality assurance, and has quality systems implemented, or under implementation, in line with the requirements applicable to its business operations.

The full range of risk factors is discussed in more detail in the notes 6.1-6.4 to the annual accounts.

The company's financial reporting complies with the laws and regulations applicable to companies listed on the Oslo Stock Exchange. The board reviews the company's financial position frequently through reporting and reviews at board meetings and reviews the financial statements at the end of every quarter. At least once per year, the board assesses the company's risk profile by reference to strategic, operational, and transactional factors.

As a listed company, Nel has a special responsibility relating to the insider trading rules, the provision of information, and share trading. The company has guidelines to ensure board members, senior management, and other insiders comply with relevant legislation and rules relating to insider trading in the company's shares.

11. Board remuneration

Nel's general meeting determines the remuneration of the board of directors based on a recommendation by the nomination committee. Board remuneration must reflect the board's expertise and time investment, as well as the complexity of the business and the fact that Nel is a listed company. Remuneration takes the form of a fixed annual amount and is not tied to the company's performance or share price.

An assessment regarding the independence of the directors and chair of the board is set out in section 8 above.

The board remuneration for 2021 is outlined in note 7.4 to the annual accounts.

12. Remuneration of senior management

The board prepares guidelines on the remuneration of the company's senior management. These guidelines, as well as details of the remuneration packages and incentive schemes of the CEO and other senior executives, are set out in the note 7.2 to the annual accounts.

The guidelines on the remuneration of senior management must be submitted to the general meeting. The remuneration policy was approved by the shareholders at the general meeting in 2021. The board considers that the remuneration paid to senior management reflects market practice and that the remuneration packages do not include any unreasonable terms, for example in connection with resignation or termination of employment.

In accordance with section 6-16b of the Norwegian Public Limited Liability Companies Act, the board has prepared a report on salary and other remuneration to the executive management. The new remuneration report for 2021 will be presented to the general meeting in 2022 for an advisory note. The remuneration report will be available on March 24, 2022, on www.nelhydrogen.com.

The shareholdings of executive management are outlined in note 7.2 (group).

13. Information and communication

The company publishes a financial calendar on an annual basis, which includes the dates of general meetings and dates for the presentation of interim reports. Presentation of the quarterly reports are broadcasted through webcasts. All press releases and stock exchange notifications are posted on the company's website, www.nelhydrogen.com. Stock exchange notifications are also available at www.newsweb.no.

The company complies with all applicable disclosure laws and practice, including equal treatment requirements. The ability to provide information about the company in addition to published reports is restricted under stock exchange regulations. Inside information is only released to persons other than primary insiders when the company considers it necessary, and then only in accordance with a system of insider declarations and insider lists. The insider lists are maintained by the CFO.

Notice to general meetings of shareholders is sent directly to shareholders with known addresses unless they have consented to receive these documents electronically. All information sent to the shareholders is made available on www.nelhydrogen.com when distributed.

Nel wishes to maintain a constructive, open dialogue with its shareholders, analysts, and the stock market in general. The company holds regular presentations for investors, analysts, and shareholders. The company's CEO is responsible for external communication and investor relations. The CEO and chair of the board are both authorised to speak on behalf of the company and may delegate their authority in this regard as they consider appropriate.

14. Company takeovers

In the event of a takeover situation, the company's board and management will endeavour to ensure the equal treatment of shareholders. The board will ensure that shareholders are given information and time to evaluate any bona fide bid and will endeavour to provide a recommendation to shareholders as to whether or not the bid should be accepted. The board and management will help ensure that there are no unnecessary disruptions to the business in the event of a takeover. Moreover, such a situation will be governed by the provisions applicable to listed companies.

15. Auditor

The external auditor attends the board meeting at which the annual financial statements are approved. As part of the approval, the board of directors should at least once a year review the company's internal control procedures with the external auditor, including weaknesses identified by the auditor and proposals for improvement. The external auditor participates in audit committee meetings for the quarterly report, status of the audit and summary of the audit of annual report. The auditor presents an annual audit plan to the audit committee.

The board has adopted guidelines on management's use of the auditor for services other than auditing. The new Public Audit Act entered into force on January 1, 2021. Extended tasks including purchase of non-audit services and follow-up of the external auditor are handled by the audit committee. Non-audit services are subject to pre-approval as defined by the audit committee. The fee payable to the auditor is specified in note 7.3 to the annual accounts and is categorised under the items statutory audit, attestation and non-auditing services. The board submits proposals regarding the fees payable for the statutory audit to the general meeting for approval.

OSLO, 22 MARCH 2022

THE BOARD OF DIRECTORS

Ole Enger Chair (Sign)	Beatriz Malo de Molina Board member (Sign)	Charlotta Falvin Board member (Sign)
Finn Jebsen Board member (Sign)	Hanne Blume Board member (Sign)	Tom Røtjer Board member (Sign)
Jon André Løkke CEO (Sign)		

6 Consolidated financial statements 2021 Nel group

Consolidated statement of comprehensive income

(Amounts in NOK thousands)

Nel group

	NOTE	2021	2020
Revenue from contracts with customers	2.1, 2.3	753 096	578 333
Other operating income	2.2	44 905	73 548
Total revenue and operating income		798 001	651 881
Raw materials	2.4	551 695	393 982
Personnel expenses	2.5	472 010	329 402
Depreciation and amortisation	3.1, 3.2	103 116	91 286
Impairment of tangible and intangible assets	3.1, 3.2	4 500	71 666
Other operating expenses	2.6	249 533	180 042
Total operating expenses		1 380 854	1 066 378
Operating loss		-582 853	-414 497
Finance income	2.7	28 276	1 675 567
Finance costs	2.7	-1 129 224	-16 789
Share of profit (loss) from associates and joint ventures	3.4	-35	1 242
Pre-tax income (loss)		-1 683 836	1 245 523
Tax expense (-income)	2.8	-16 984	-16 357
Net income (loss) attributable to equity holders of the company		-1 666 852	1 261 880
OTHER COMPREHENSIVE INCOME THAT ARE OR MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS (NET OF TAX)			
Currency translation differences		-7 108	18 151
Cash flow hedges, effective portion of changes in fair value	6.5	-3 086	14 050
Cash flow hedges, reclassified	6.5	-3 244	-1 820
Comprehensive income attributable to equity holders of the company		-1 680 290	1 292 261
Earnings per share (NOK) attributable to Nel shareholders	2.9	-1.15	0.92
Diluted earnings per share (NOK) attributable to Nel shareholders	2.9	-1.15	0.91

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

Nel group

ASSETS	NOTE	2021	2020
NON-CURRENT ASSETS			
Technology	3.1	496 579	427 341
Customer relationship	3.1	32 381	44 695
Goodwill	3.1	615 184	619 731
Property, plant and equipment	3.2, 3.3	623 514	378 052
Investments in associates and joint ventures	3.4	2 298	1 289
Non-current financial assets	3.5	92 889	71 835
Total non-current assets		1 862 845	1 542 943
CURRENT ASSETS			
Inventories	4.1	328 465	237 129
Trade receivables	4.2	211 408	101 449
Contract assets	2,1	178 769	127 976
Other current assets	4.3	702 728	1 794 345
Cash and cash equivalents	4.4	2 722 769	2 332 854
Total current assets		4 144 139	4 593 753
TOTAL ASSETS		6 006 984	6 136 696

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

Nel group

EQUITY AND LIABILITIES	NOTE	2021	2020
EQUITY			
Share capital	5.1	292 160	281 559
Treasury shares	5.1	-81	-79
Share premium	5.1	5 596 248	4 367 306
Other capital reserves	5.1	53 422	43 937
Retained earnings	5.1	-971 636	693 563
Other components of equity	5.1	68 591	82 029
Total equity		5 038 704	5 468 316
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.8	48 543	55 144
Long-term debt	5.2	23 191	30 284
Lease liabilities	3.3	113 505	77 125
Deferred income	5.3	69 537	63 601
Other non-current liabilities	5.4	8 452	11 140
Total non-current liabilites		263 228	237 294
CURRENT LIABILITIES			
Trade payables		132 962	81 570
Lease liabilities	3.3	19 916	14 291
Contract liabilities	2.1	360 821	193 082
Other current liabilities	5.4	103 246	67 407
Provisions	5.5	88 106	74 735
Total current liabilities		705 051	431 085
Total liabilities		968 279	668 379
TOTAL EQUITY AND LIABILITIES		6 006 984	6 136 696

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

(Amounts in NOK thousands)

		Nel group	
	NOTE	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Pre-tax income (loss)		-1 683 836	1 245 523
Adjustments for interest expense	2.7	3 678	4 411
Depreciation, amortisation and impairment	3.1, 3.2	107 616	162 952
Change in fair value equity instruments	2.7, 4.3	1 113 189	-1 632 006
Equity-settled share-based compensation expense	2.5	9	7 682
Change in provisions	5.5	13 371	30 974
Change in inventories	4.1	-91 336	-31 895
Change in trade receivables	4.2	-109 959	81 884
Change in trade payables		51 392	-10 627
Changes in other current assets and other liabilities	4.3, 5.4	146 416	-74 783
Net cash flow from operating activities		-449 458	-215 886
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3.2	-258 283	-148 539
Payments for capitalised technology	3.1	-118 870	-83 659
Purchase of other investments	3.5, 4.3	-46 966	-57 880
Investments in other financial assets	3.5	-13 125	-12 998
Proceeds from sales of property, plant and equipment	3.2	26 056	0
Investments in associates and joint ventures	3.4	-1 272	-567
Sale of subsidiaries, net of cash sold	3.4	0	-19 829
Acquisition of subsidiaries, net of cash acquired	3.4	0	26 022
Proceeds from sales of other investments	3.5, 4.3	38 844	3 019
Net cash flow from investing activities		-373 616	-294 430
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid	2.7	-3 678	-4 411
Gross cash flow from share issues	5.1	1 255 103	2 383 259
Transaction costs from share issues	5.1	-15 562	-68 297
Proceeds from new loan	5.2	0	16 395
Payment of lease liabilities	3.3	-15 467	-10 915
Payment of non-current liabilities	5.2	-4 464	-2 320
Net cash flow from financing activities		1 215 932	2 313 710
Effect of exchange rate changes on cash		-2 943	3 478
Net change in cash and cash equivalents		389 915	1 806 872
Cash balance as of 01.01	4.4	2 332 854	525 982
Cash balance as of 31.12	4.4	2 722 769	2 332 854

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(Amounts in NOK thousands)

Nel group

	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER RESERVE	RETAINED-EARNINGS	CURRENCY TRANSLATION DIFFERENCE	HEDGING RESERVE	TOTAL EQUITY
Equity as of 31.12.2019	244 421	-14	2 089 418	36 256	-575 112	52 435	-786	1 846 618
Total comprehensive income					1 261 880	18 151	12 230	1 292 261
Increase of capital 2020	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	-79	4 367 306	43 937	693 563	70 585	11 444	5 468 316
Total comprehensive income					-1 666 852	-7 108	-6 330	-1 680 290
Increase of capital 2021	10 600		1 228 940					1 239 541
Options and share program		-1	1	9 485				9 485
Other changes					1 653			1 653
Equity as of 31.12.2021	292 160	-81	5 596 248	53 422	-971 636	63 477	5 114	5 038 704

OSLO, 22 MARCH 2022

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)

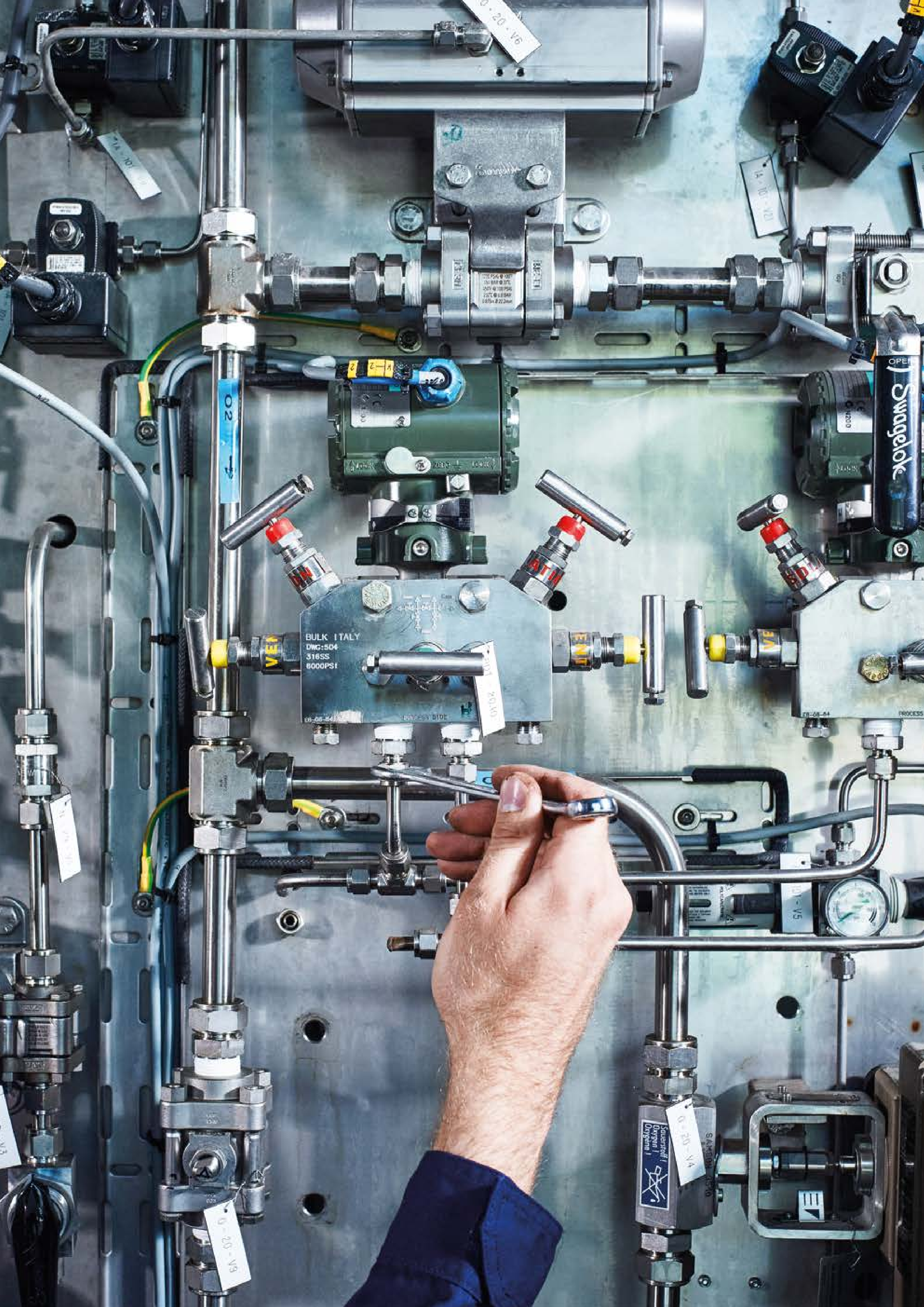
Hanne Blume
Board member

(Electronically signed)

Tom Røtjer
Board member

(Electronically signed)

Jon André Løkke
CEO
(Electronically signed)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6.1 Notes to the consolidated financial statements

1.1 Corporate information

Nel ASA (Nel) is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The group serves industry, energy and gas companies with leading hydrogen technology. The group had more than 500 own employees at the end of 2021. Since its origins in 1927 as part of Norsk Hydro, Nel has a proud history of development and continuous improvement of hydrogen plants. Our hydrogen solutions cover the value chain from hydrogen production technologies to manufacturing of hydrogen fueling stations, providing all fuel cell electric vehicles (FCEVs) with the same fast fueling and long range as conventional vehicles today.

The group has two divisions: Nel Hydrogen Electrolyser and Nel Hydrogen Fueling.

The ultimate parent of the group Nel ASA (org. no 979 938 799) was formed in 1998, incorporated in Norway. Nel ASA is a Norwegian public limited liability company listed on the Oslo Stock Exchange. The group's head office is in Karenslyst allé 49, N-0279 Oslo, Norway.

1.2 Basis of preparation

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Accounts are based on the principle of historical cost, except for certain financial instruments, which are measured at fair value.

The consolidated financial statements are presented in Norwegian kroner (NOK). The functional currency of Nel ASA is NOK.

All values are rounded to the nearest thousand, unless when indicated otherwise. As a result of rounding differences numbers or percentages may not add up to the total. The financial statements are prepared based on a going concern assumption.

The consolidated financial statements were approved by the Board of Directors and the Chief Executive Officer on March 22, 2022.

Definition and applying of materiality judgements in preparation of these consolidated financial statements

These consolidated financial statements aim to provide useful financial information which increase the understandability of Nel and its performance. To meet the information needs of its primary users, Nel apply materiality judgments which are necessary to meet this objective, and Nel has made such judgments related to recognition, measurement, presentation and disclosures. Within these consolidated financial statements information is considered material if omitting, misstating or obscuring it could reasonably be expected to influence decisions taken by primary users based on the information provided. In practice this will lead to Nel omitting certain information if it is assessed it will obscure the material information. The materiality judgments are reassessed at each reporting date and updated based on changed facts and Nel specific circumstances.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as of 31 December 2021. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Control is achieved if, and only if, the group has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: i) The contractual arrangement with the other vote holders of the investee, ii) Rights arising from other contractual arrangements and iii) The group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the group. There are no non-controlling interests in the Group as all subsidiaries are 100 % owned. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are fully eliminated upon consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities and other components of equity while any transaction gain or loss is recognised in statement of comprehensive income.

Foreign exchange and currency

Transactions and balances

Transactions in foreign currencies are converted to functional currency to the exchange rate on the transaction date. Exchange rate gains and losses are recognised within 'finance income' and 'finance cost', respectively, in the profit or loss. Foreign currency monetary items are translated into functional currency using the balance sheet closing rates. Non-monetary items that are measured in terms of historical cost in a foreign currency continue to be translated using the exchange rate that prevailed at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates that prevailed at the date when the fair value was measured.

All foreign currency translations are recognised in profit or loss as finance cost except for foreign currency translations where a hedging relationship exists, and hedge accounting has been applied. Additional information is provided in note 6.2.

Consolidation of subsidiaries

The individual financial statements of a subsidiary are prepared in the subsidiary's functional currency. In preparing the consolidated financial statements, the statement of comprehensive income items from the subsidiaries are converted to NOK using the respective monthly average exchange rates, while statement of financial position items is converted using the rate at year-end. Exchange rate gains and losses are recognised net within Other comprehensive income and accumulated in Currency translation differences in 'Other components of equity'.

Statement of comprehensive income

The Group present a single statement of 'Consolidated statement of comprehensive income' which comprise all components of profit or loss, OCI and the comprehensive income for the period.

Statement of cash flows

The Group uses the indirect method for the presentation of the cash flow statement.

1.3 Significant accounting policies

Accounting policies and estimate uncertainty are largely incorporated into the individual notes.

Table of contents for where the significant policies are elaborated.

Revenue from contracts with customers	2.1
Research and development	3.1
Goodwill	3.1
Property, plant and equipment	3.2
Leases	3.3
Investment in associates and joint ventures	3.4
Inventories	4.1
Trade receivables	4.2
Government grants	5.3
Provisions	5.5
Derivative financial instruments and hedge accounting	6.5

1.4 Changes in accounting policies

A few amendments to IFRS have been implemented for the first time in 2021. The amendments did not have any material impact for the Group. In addition, several amendments to IFRS are issued up to the date of issuance of the consolidated financial statements but are not yet effective. The Group has not applied the new IFRSs and the impact of applying the amendments is not expected to have a material impact on the Group's financial statements.

1.5 Significant accounting judgements and estimation uncertainty

The preparation of financial statements requires management to make judgements and estimates that influence amounts recognised in certain accounts for assets, liabilities, income and expenses. The actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous assessment.

Judgements

The following are Nel's accounting policies that involves significant judgement and complexity which have most significant effect on the amounts recognised in the consolidated financial statements, including reference to where it is discussed:

Revenue recognition	2.1
Deferred tax assets	2.8
Development costs	3.1
Leases	3.3

Assumptions and estimation uncertainty

Revenue recognition	2.1
Share-based payments	2.5
Impairment of goodwill and intangible assets	3.1

2.1 Revenue from contracts with customers

The revenue in Nel is from sale of both complete hydrogen electrolyser systems and hydrogen fueling stations, including installation, commissioning, and long-term service agreements. Additionally, Nel earn revenue from replacement parts and accessories in the aftermarket. Project execution is key in Nel's large construction projects.

The group's revenues result from the sale of goods or services and reflect the consideration to which the group is and expect to be entitled. IFRS 15 requires the group to assess revenue recognition based on a five-step model. For its customer contracts, the group identifies the performance obligations (goods or services), determines the transaction price, allocates the contract transaction price to the performance obligations, and recognises the revenue when (or as) the performance obligations are satisfied.

Revenue recognition is determined on a contract-by-contract basis by determining the terms and performance obligations given in a specific contract. Based on the specific contract and its obligations, revenue under IFRS 15 is either recognised at a point in time or over time, 64% (52%) and 36% (48%) of revenue in 2021, respectively. Revenue is recognised over-time using the method that best depicts the pattern of the transfer of control over time. The method applied is the cost-to-cost input method, adjusted as time and goods are delivered to the customer. Contract costs are expensed as incurred.

Significant accounting judgements – revenue recognition

The Group applied the following judgements that significantly affect the determination of the i) timing and ii) amounts of revenue from contracts with customers:

i) Timing

Performance obligations

In determining whether revenue from specific contract can be classified as customised and in turn recognised using a progress-based measurement, several criteria must be evaluated. The first criterion is related to alternative use. Manufacturing a customised product or piece of equipment for a specific customer that would require significant cost to modify to be able to transfer it to another a customer, then the contract would likely meet the criteria of alternate use. The other important criterion is that an enforceable right to payment exists in the contract between the group and the customer. Right to payment entails that the group has a right to receive payment from the customer if the contract would be terminated. Upon termination at a certain time, the group should be able to recover costs incurred and a reasonable margin.

Determining whether revenue from a contract should be recognised over time or at point in time could have a significant effect on the financial statements and are to some extent dependent upon judgements from management.

Estimation uncertainty – revenue recognition

Total contract costs

In a customised customer project, Nel uses cost-to-cost input method when measuring progress; thus, the total cost estimates can significantly impact measured progress and revenue recognition. The total project cost comprises estimates on the ability to execute the planned engineering and design phase, the availability of skilled resources, performance of subcontractors, foreign currency and Nel's manufacturing capacity, productivity and quality.

ii) Amount

Liquidated damages (LDs)

LDs are penalties for not achieving defined milestones on time. LDs are common in construction contracts. As the payment to the customer is not in exchange for a distinct good or service that transfers to Nel, LD's must be accounted for as a reduction revenue. If a project does not meet the defined milestone in a contract, a provision reducing the transaction price is made unless it is highly probable that LD will not be imposed. The estimated LD provision is highly judgmental. The assessment of the LD provision is based on experience from similar LD situations in addition to client relationship, contractual position and status on negotiations. Nel estimates variable consideration using the most likely amount.

Type of goods or services

The group generates revenue from customer contracts from two principal sources: i) Equipment and projects and ii) Service and aftermarket. The equipment and projects sales are generated from both standard and customised equipment.

Standard equipment

The group recognises revenue at the point in time at which it satisfies a performance obligation by transferring the control of a good or service to the customer, generally this upon agreed incoterms, which is mainly at shipment. The customer has control of a good or service when it has the ability to direct the use of and obtain substantially all of the remaining benefits from the good or service. If customer acceptance of products is not assured, revenue is recorded only upon formal customer acceptance.

The point in time measurement basis for standard equipment has been the main method of recognising revenue in Fueling divison, Electrolyser US division and aftermarket segment in the Electrolyser Norway division.

Customised equipment

Most of Nel's revenue stems from sale of standard equipment, however, certain customer contracts require customisation of the equipment. Such sale of customised equipment is recognised as revenue over-time if the equipment cannot be sold to other customers without significant re-work and Nel has an enforceable right to payment for performance completed to date.

Projects

The project contracts typically comprise

- equipment (standard product or customised),
- design, siting, installation and commissioning of the equipment

Electrolyser. Revenue from sale of customised equipment and projects is determined to be a bundle of goods where all of the components constitute the combined output, i.e. one performance obligation. The performance obligation is satisfied over time and Nel recognise revenue over the period the performance obligation is satisfied, using a cost-to-cost input method that best depicts the pattern of the transfer of control over time. The contracts have mainly firm contract price including clauses for penalties (LDs). Additionally, contracts usually include service agreement and extended warranty for a specific period. Both service and extended warranty are separate performance obligations satisfied over 12 months or more, refer service and aftermarket.

The progress-based measurement of revenue has been the main method of recognising revenue from electrolyser projects of large-scale electrolyser systems.

Fueling. Sale of fueling equipment often include a standard installation service and commissioning, each assessed as individual performance obligation. Revenue recognition for equipment depends on an assessment of whether the equipment is standard or customised. Revenue for installation and commissioning is recognised over-time measuring progress using input method cost-to-cost.

In the circumstance that the unavoidable costs directly related to project is expected to exceed the economic benefits expected to be received under the contract, the estimated loss on the contract will be recognised in its entirety in the period when such loss is identified. Additional information for onerous contracts is disclosed in note 5.5 'Provisions'.

Service and aftermarket

Service and aftermarket comprise operations and maintenance (O&M), extended warranty, repair, replacement parts and accessories.

For separately sold operating and maintenance contracts where the group has agreed to provide routine maintenance services over a period of time for a fixed price, revenue is recognised on a straight-line basis over the contract period as the stand-ready obligation is time elapsed.

For sales of replacement cell stacks and accessories, revenue is recognised when performance obligation is satisfied, generally upon delivery of the replacement parts and accessories.

The following table show the revenue from contracts with customers by type of goods or service:

	2021			2020		
SEGMENTS	FUELING	ELECTROLYSER	TOTAL	FUELING	ELECTROLYSER	TOTAL
Type of goods or service						
Equipment and projects	220 321	379 844	600 165	220 256	232 049	452 305
Service and aftermarket	96 845	56 086	152 931	81 856	44 173	126 029
TOTAL Revenue from contracts with customers	317 165	435 930	753 096	302 111	276 222	578 333
Timing of revenue recognition						
Revenue recognised at point in time	220 321	219 820	440 140	83 997	216 731	300 728
Revenue recognised over time	96 845	216 111	312 955	218 114	59 491	277 605
TOTAL Revenue from contracts with customers	317 165	435 930	753 096	302 111	276 222	578 333

Contract balances

Equipment contracts with a customer will have milestone payments with variable structures. The contract price will be invoiced when certain criteria are met. A typical milestone structure could be contract acceptance, placement of major supplier purchases, delivery/shipment and complete installation and commissioning. The payment structure of the contracts typically results in advance payments and progress billings exceed the satisfaction of performance obligations in progress. Consequently, creating a net contract liability. In certain circumstances based on the order value, credit worthiness of geographic location, the group may require payment in advance of shipment. The group does not accept returns of product or provide customers refunds or other similar concessions.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. As of the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the advances and progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed advances and progress billings, the balance is presented as due from customers on construction contracts within "contract assets". When the contract assets become an unconditional right to consideration they are reclassified and presented separately as trade receivables, usually when invoices are issued to the customers.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the group performs under the contract. Where advances and progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "contract liabilities".

	2021			2020		
CONTRACT BALANCES	CONTRACT ASSETS	CONTRACT LIABILITY	TOTAL	CONTRACT ASSETS	CONTRACT LIABILITY	TOTAL
Rights to consideration on contracts in progress	477 688	332 324	810 011	518 820	151 178	669 999
Less - advances and progress billings	-298 919	-693 145	-992 063	-390 845	-344 260	-735 105
TOTAL Contract assets (liabilities)	178 769	-360 821		127 976	-193 082	

CONTRACT ASSETS	2021	2020
Balance as of 01.01.	127 976	37 103
Transfers from contract assets recognised at the beginning of the period to receivables	-103 613	-19 313
Increases due to measure of progress in the period	161 251	110 185
Revaluation	-6 845	0
Balance as of 31.12.	178 769	127 976

CONTRACT LIABILITIES	2021	2020
Balance as of 01.01.	-193 082	-147 481
Revenue from amounts included in contract liabilities at the beginning of the period	129 125	147 481
Billings and advances received not recognised as revenue in the period	-292 133	-192 864
Basis adjustment - effect of hedge accounting	-4 731	-217
Balance as of 31.12.	-360 821	-193 082

Order backlog

The performance obligations in contracts with customers vary from a few months to 4 years. The order backlog as of December 31, 2021, was NOK 1 230.1 million (2020: NOK 981.1 million). The transaction price allocated to the remaining performance obligations is illustrated in table below:

AS OF 31.12.2021	2022	2023	2024	2025 OR LATER	TOTAL BACKLOG
Partly unsatisfied performance obligations	683 249	176 416	62 818	3 758	926 241
Unsatisfied performance obligations	249 737	28 557	15 544	10 026	303 864
TOTAL backlog	932 986	204 973	78 362	13 784	1 230 105

AS OF 31.12.2020	2021	2022	2023	2024 OR LATER	TOTAL BACKLOG
Partly unsatisfied performance obligations	470 251	280 460	12 777	7 924	771 412
Unsatisfied performance obligations	165 948	25 921	14 464	3 356	209 688
TOTAL backlog	636 199	306 380	27 241	11 280	981 100

Revenue recognised in 2021 for performance obligations delivered in prior years due to revenue being constrained was NOK 0 (2020: 0).

2.2 Other operating income

OTHER OPERATING INCOME	2021	2020
Government grants	14 679	51 132
Research and design study reports	25 637	19 059
Sub-lease	1 920	2 379
Gain and loss on disposal of property, plant and equipment	2 254	0
Other income	416	978
TOTAL Other operating income	44 905	73 548

Government grants within ‘other operating income’

SEGMENT	COUNTRY	2021	2020
Electrolyser	United States	0	14 664
Electrolyser	Norway	466	19 774
Fueling	Denmark	14 213	16 693
TOTAL		14 679	51 132

	2021	2020
Government grants related to assets, amortised	14 679	36 468
Government grants related to income	0	14 664
TOTAL	14 679	51 132

NOK 0.0 (14.7) million of the government grants recognised within ‘other operating income’ are related to COVID-19.

2.3 Segment information

Nel operates within two operating segments, Nel Hydrogen Fueling and Nel Hydrogen Electrolyser. The identification of segments in the group is made based on the different products the division offers as well as geographical areas the divisions operate in.

Nel Hydrogen Fueling

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 installed in several European countries as well as in South-Korea and California, U.S., providing hydrogen fueling for FCEVs from major car manufacturers, as well as forklifts, buses and trucks.

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, the ambition is to maintain the position as a preferred supplier for international hydrogen fueling infrastructure operators. Nel's Hydrogen Fueling division has global footprint, with delivery of more than 120 H2Station® solutions worldwide to 14 countries since 2003.

Nel's H2Station® manufacturing plant is located in Herning, Denmark. It has an annual production capacity of 300 hydrogen stations per year. Combining technology innovations with increased manufacturing capacity should enable Nel to further reduce the cost of hydrogen fueling station equipment.

Nel Hydrogen Electrolyser

The Nel Hydrogen Electrolyser division is a global supplier of hydrogen production equipment and plants based on both alkaline and PEM water electrolyser technology. The operating segment dates back to 1927, when Norsk Hydro developed large-scale electrolyser plants, providing hydrogen for use in ammonia production with fertilizer as the end-product. Since then, the electrolyser technology has been improved continuously, and Nel Hydrogen Electrolyser has accumulated unique experience and knowledge about hydrogen fueling stations and power-to-gas systems.

Nel's Hydrogen Electrolyser division is responsible for delivery of complete hydrogen plants. Nel has a global reach through own sales representatives and an extensive agent network. Since 1927 Nel Hydrogen Electrolyser has delivered more than 800 alkaline and 2,700 PEM electrolysers, delivered to more than 80 countries worldwide.

Nel Hydrogen Electrolyser currently has production facilities in Herøya, Norway, and in Wallingford, Connecticut, USA. Nel has expanded electrolyser production to accommodate large-scale projects by constructing a fully automated manufacturing facility at Herøya, Norway, which opened during 2021. The capacity of the facilities is 500 MW annually for the initial investments and can be expanded to 2 000 MW.

The executive management group is the chief operating decision maker (CODM) and monitors the operating results of its operating segments 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.

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

2021	OPERATING SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING	ELECTROLYSER	OTHER[1)]	TOTAL
Norway	538	4 479	0	5 017
United States	203 794	161 805	0	365 599
North America ex United States	9 937	3 618	0	13 555
Asia	38 612	42 543	0	81 155
Europe ex Norway	64 285	204 750	0	269 034
Middle East	0	9 216	0	9 216
Africa	0	1 663	0	1 663
South America	0	2 085	0	2 085
Oceania	0	5 771	0	5 771
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	317 165	435 930	0	753 096
Other operating income	14 589	30 316	0	44 905
Operating expenses	-500 721	-675 928	-96 589	-1 273 238
EBITDA	-168 967	-209 681	-96 589	-475 237
Depreciation and amortisation	-39 886	-56 385	-6 845	-103 116
Impairment of tangible and intangible assets	0	-4 500	0	-4 500
OPERATING LOSS	-208 852	-270 566	-103 434	-582 853
Finance income	18	64	28 194	28 276
Finance costs	-5 390	-240	-1 123 595	-1 129 224
Share of loss from associates and joint ventures	0	0	-35	-35
Tax income (expense)	10 175	5 885	924	16 984
PRE-TAX INCOME (LOSS)	-204 049	-264 857	-1 197 946	-1 666 851
TOTAL ASSETS	1 038 376	1 842 253	3 126 354	6 006 984
TOTAL LIABILITIES	276 511	644 274	47 494	968 279

1) Other and eliminations comprises parent company, holding entity, excess values on intangible assets and related depreciation and tax expense (income) derived from the consolidation of the financial statements not allocated to the operating segments.

In 2021, revenue from single customers above 10% of total revenues include Iberdrola and Iwatani, recognised revenue of NOK 128.4 and NOK 157.0, respectively.

No single customers have revenues above 10% of total revenues for the group in 2020.

(Amounts in NOK thousands)

2020	OPERATING SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING	ELECTROLYSER	OTHER[1)]	TOTAL
Norway	9 916	2 809	0	12 725
United States	116 905	114 312	0	231 218
North America ex United States	0	16 218	0	16 218
Asia	105 702	35 424	0	141 126
Europe ex Norway	65 305	58 788	0	124 094
Middle East	0	11 823	0	11 823
Africa	0	28 004	0	28 004
South America	0	1 200	0	1 200
Oceania	0	11 926	0	11 926
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	297 829	280 504	0	578 333
Other operating income	16 515	57 033	0	73 548
Operating expenses	-418 866	-424 115	-60 445	-903 426
EBITDA	-104 522	-86 578	-60 445	-251 545
Depreciation and amortisation	-31 578	-23 433	-36 275	-91 286
Impairment of tangible and intangible assets	0	-71 666	0	-71 666
OPERATING LOSS	-136 100	-181 677	-96 720	-414 497
Finance income	64	53	1 675 450	1 675 567
Finance costs	-3 871	-5 956	-6 962	-16 789
Share of loss from associates and joint ventures	2 587	0	-1 344	1 242
Tax income (expense)	8 905	0	7 452	16 357
PRE-TAX INCOME (LOSS)	-128 415	-187 581	1 577 876	1 261 880
TOTAL ASSETS	883 814	1 256 306	3 996 576	6 136 696
TOTAL LIABILITIES	337 843	289 519	41 017	668 379

[1)] Other and eliminations comprises parent company, holding entity, excess values on intangible assets and related depreciation and tax expense (income) derived from the consolidation of the financial statements not allocated to the operating segments.

PROPERTY, PLANT AND EQUIPMENT GEOGRAPHICAL AREA	2021	2020
Norway	461 994	210 548
Denmark	106 262	114 489
USA	49 919	48 622
South Korea	5 339	4 392
Balance as of 31.12.	623 514	378 052

The allocation of property, plant and equipment is based on the geographical location of the assets.

2.4 Raw materials

(Amounts in NOK thousands)

	2021	2020
Raw material	528 699	370 872
Freight expense	12 346	13 306
Other consumables	10 650	9 804
TOTAL	551 695	393 982

2.5 Personnel expenses

(Amounts in NOK thousands)

	2021	2020
Salaries	384 497	261 720
Social security tax	37 544	26 433
Pension expense	22 926	16 932
Other payroll expenses [1)]	27 042	24 317
TOTAL	472 010	329 402

[1)] Included here are expenses amounting to NOK 8.9 million (8.6 in 2020) related to the Group's share option program.

	2021	2020
Average number of full time employees	486	360
Hereof women	90	68

Share option program

To incentivize and retain key employees, Nel currently have a share-based incentive plans, a share option program. The share option program is groupwide and includes all employees in the group. All options have only service-time based vesting conditions. Vesting requires the option holder still to be an employee in the Group. The share-based payment is equity-settled. Each option, when exercised, will give the right to acquire one share in the Group. The options are granted without consideration.

Options granted July 2019:

A total of 11.1 million share options were granted. Pursuant to the vesting schedule, 40% of the options will vest two years after the day of grant, and 60% of the options will vest three years after the day of grant. The exercise price is equal NOK 7.8 per share based on the average price of the Nel ASA share price the five trading days before grant date (NOK 7.22) and including an 8% premium. Gain per instrument is capped at NOK 5.00 maximum per share option. The options that have not been exercised will lapse 4 years after the date of grant.

Options granted July 2020:

A total of 12.8 million share options were granted. Pursuant to the vesting schedule, 40% of the options will vest two years after the day of grant, and 60% of the options will vest three years after the day of grant. The exercise price is equal NOK 21.72 per share based on the average price of the Nel ASA share price the five trading days before grant date (NOK 20.11) and including an 8% premium. Gain per instrument is capped at NOK 5.00 maximum per share option. The options that have not been exercised will lapse 4 years after the date of grant.

Options granted July 2021:

A total of 7.8 million share options were granted. Pursuant to the vesting schedule, 40% of the options will vest two years after the day of grant, and 60% of the options will vest three years after the day of grant. The exercise price is equal NOK 15.125 per share based on the average price of the Nel ASA share price the five trading days before grant date (NOK 14.00) and including an 8% premium. Gain per instrument is capped at NOK 10.00 maximum per share option. The options that have not been exercised will lapse 4 years after the date of grant.

Assumptions, costs and social security provisions

The Group uses the Black-Scholes-Merton option pricing model at time of grant to determine the impact of stock option grants in accordance with IFRS 2 - Share-based payment. The model utilises the following parameters as input:

- the company's share price
- the strike price of the options
- the expected lifetime of the options
- the risk-free interest rate equalling the expected lifetime
- the volatility associated with the historical price development of the underlying share

As all employee options granted are "non-transferable", and the gains are taxed with personal income tax (higher), whereas gains on ordinary shares are taxed with capital gains tax (lower), it is reasonable to assume that participants tend to exercise early. Hence estimated lifetime of the options is expected to be shorter than the time from grant until expiry. However, exercise patterns are monitored frequently and expected option lifetime for future grants will reflect exercise behaviour.

To estimate the volatility in the option pricing model comparable companies have been used. Nel does have sufficient traded history, however – the company has been through a rapid development in recent years and the assumption made at grant was that traded history the previous years was not the best estimate for the future years. Hence, volatility input to the Black-Scholes-Merton model is based on a group of peer companies.

Further the total fair value of the share-based instruments is amortised over the vesting period of the instrument. IFRS 2 presumes that the fair value of the services expected to be received is the same as the fair value of the equity instruments granted at grant date. Therefore, although the services are recognised over the vesting period, they are measured only once, at grant date, unless the arrangement is modified.

Social security tax provisions are accrued on a quarterly basis and becomes payable at exercise of the options. The social security tax provisions are estimated based on the gain on the share-based instruments multiplied with the relevant social security tax rate.

The total expense recognised for the share-based programs, excluding social security, during 2021 was NOK 9.5 (7.7) million. The total social security accruals at the end of the year are NOK 0.70 (1.26) million (social security costs on exercised options has been paid in connection with the relevant exercises, hence taken out of the accruals accounts). The total intrinsic value of the company's share-based instruments is NOK 37.9 (183.1) million as of 31 December 2021.

Key assumptions option pricing model

- Volatility: 63.04%
- Interest rate 0.96%
- Dividend: 0.00

ESTIMATION UNCERTAINTY - Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate evaluation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

The group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date. The group has considered only hold equity instruments.

(amounts in NOK thousands and number of options/shares in thousands)

SHARE OPTION PROGRAM	OPENING BALANCE	GRANTED	EXERCISED	FORFEITED	CLOSING BALANCE	STRIKE PRICE	VALUE [1]	REMAINING CONTRACTUAL LIFE
July 2018 tranche B [2]	60	0	-60	0	0	3.24	5.00	0.50
July 2019 [2]	9 435	0	-3 442	-961	5 032	7.80	5.00	1.51
July 2020 [2]	12 311	0	0	-1 495	10 816	21.72	0	2.52
July 2021 [2]	0	7 768	0	-181	7 588	15.13	0	3.63
TOTAL	21 806	7 768	-3 501	-2 637	23 436			

	VESTED [2]					EXPIRY [2]			
NAME	2021	2022	2023	2024	TOTAL	2023	2024	2025	EXPENSE FOR THE PERIOD [3]
Kjell Christian Bjørnsen	0	128	254	93	476	0	321	155	197
Anders Søreng	0	309	248	93	650	185	310	155	313
Filip Smeets	0	128	254	93	476	0	0	476	197
Robert Borin [4]	0	0	0	0	0	0	0	0	0
Jørn Rosenlund	0	316	254	93	663	188	320	155	314
Hans Hide	0	306	254	96	656	180	316	160	308
Stein Ove Erdal	0	320	274	96	690	180	350	160	326
Caroline Duyckaerts	0	0	62	93	155	0	0	155	39
Other employees	46	7 805	7 924	3 896	19 670	4 299	8 879	6 493	7 791
TOTAL	46	9 313	9 525	4 553	23 436	5 032	10 496	7 908	9 486

1) The value of the share options equals share price less strike price, capped at NOK 5.0 for 2019 and 2020 program, and NOK 10.0 for 2021 program.
2) All share options are granted, vested and expired at the beginning of July in a given fiscal year, expect for share option program 2021 which is August.
3) Cost of period does not include social security
4) Employed in Nel from April 2021

No share options expired during the period. The first expiry date is 1. July 2023 for the options granted July 2019.

The weighted-average share price at the date of exercise in 2021 was 13.8 (15.4). As shown in the table above, the share options exercised during 2021 had a strike price of mainly 7.8. Employee benefits were capped at NOK 5 or share price 12.8.

Pensions

The group has defined contribution pension scheme for its employees. This scheme is funded through payments to insurance companies. A defined contribution plan is one under which the group pays fixed contributions to a separate legal entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the group pays contribution to publicly- or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as a salary expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The parent company and the Norwegian subsidiaries have pension plans that meet the requirements of the Pension Act of Norway. The Danish and the US subsidiary have pension plans that meet their respective requirements.

2.6 Other operating expenses

(Amounts in NOK thousands)

	2021	2020
Research and development expenditure	21 378	12 936
Utilities	17 682	12 504
Selling and administrative expenses	63 043	56 277
Professional fees	75 644	41 890
Travel expenses	20 480	12 950
IT and communication costs	17 836	16 573
Provision for potential fine	0	20 000
Other expenses	33 470	6 911
TOTAL Other operating expenses	249 533	180 042

2.7 Finance income and cost

(Amounts in NOK thousands)

	2021	2020
Interest income	19 735	14 356
Change in fair value financial instruments	7 586	1 632 006
Reversal expected credit loss	0	22 443
Gain on loss of control of subsidiary	0	6 372
Other	954	390
Finance income	28 276	1 675 567
Interest expense	1 140	800
Interest expense lease liabilities	8 792	8 792
Capitalised interest	-5 902	-5 181
Net foreign exchange loss	3 526	11 967
Change in fair value financial instruments	1 120 776	0
Other	893	412
Finance cost	1 129 224	16 789
Net finance income (cost)	-1 100 948	1 658 777

The change in fair value financial instruments is mainly due to change in fair value of Nel's shareholdings in Everfuel and Nikola Corporation of NOK -1 073.0 million and NOK -47.8 million, respectively. For additional information, refer note 4.3. Net foreign exchange loss is mainly unrealised effects from revaluing internal loans.

2.8 Income taxes

Tax

The tax expense in the statement of comprehensive income comprises of the tax payable for the period and of the change in deferred tax. Deferred tax is calculated at the prevailing tax rate in the respective countries where the parent company and subsidiaries are tax resident. Deferred tax is calculated based on temporary differences that exist between accounting and tax values, as well as any tax loss carry forward at the end of the financial year. The deferred tax asset is recognised if it is probable that the company will have a sufficient tax profit to be able to utilise the tax asset.

Significant accounting judgements - Deferred tax asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The group has NOK 420.0 million of tax amounts from tax losses carried forward (NOK 309.5 million in 2020). These losses relate to subsidiaries that have a history of losses, do not expire, and to some extent may not be used to offset taxable income elsewhere in the group. On this basis, the group has determined that it cannot recognise deferred tax assets from the tax losses carried forward. Deferred tax assets not recognised in the statement of financial statement amount to NOK 447.6 million in 2021 (309.1 in 2020).

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2021	2020
Income (loss) before tax	-1 683 836	1 245 523
Permanent differences	1 094 455	-1 677 281
Change in temporary differences	76 041	-62 798
Use of tax losses carried forward	-12 331	0
The year's taxable income	-525 671	-494 556

RECONCILIATION OF TAX EXPENSE TO NORWEGIAN NOMINAL STATUTORY TAX RATE		
Nominal tax rate	*22 %*	*22 %*
Income (loss) before tax	-1 683 836	1 245 523
Tax this years income (loss), estimated	-370 444	274 015
Tax effect of:		
Tax rates different from Norway	1 960	1 303
Permanent differences	242 500	-363 352
Change in deferred tax	-7 405	15 051
Change in not recognized deferred tax assets (tax liabilities)	123 411	66 454
Other differences	-7 068	-9 081
Currency translation differences	62	-747
Income tax expense	-16 984	-16 357

The tax effect of permanent difference of NOK 242.5 million is mainly related to unrealised changes in fair value of shareholdings.

INCOME TAX EXPENSE COMPRISE		
Income tax payable	-9 579	-8 905
Change in deferred tax	-7 405	-7 452
Total income tax expense (income)	-16 984	-16 357

TAX EFFECTS OF TEMPORARY DIFFERENCES	2021	2020
Trade receivables and customers contracts	-1 593	-1 131
Intangible assets	69 546	73 709
Property, plant and equipment	5 093	-1 416
Inventories	5 076	10 253
Accrued warranty	-13 519	-6 872
Leases	-4 889	-3 404
Other accruals	-45 864	-26 114
Deferred income	-4 811	-11 891
Shares and other investments	11 922	22 428
Tax losses carry forward	-420 013	-309 480
Deferred tax asset	-399 052	-253 917

RECONCILIATION TO STATEMENT OF FINANCIAL POSITION	2021	2020
Deferred tax asset	-399 052	-253 917
Deferred tax asset not recognised in statement of financial position	447 595	309 061
Deferred tax liability in the statement of financial position	48 543	55 144

CHANGES IN RECOGNISED DEFERRED TAX LIABILITY	2021	2020
Balance as of 01.01.	55 144	63 343
Recognised in the income statement	-7 405	-7 452
Translation differences on deferred taxes	804	-747
Balance as of 31.12.	48 543	55 144

The majority of the deferred tax asset is related to tax losses carry forward. As of 31 December 2021, it is considered not to be likely that the deferred tax asset can be utilised in near future, therefore no deferred tax asset has been capitalised. Table below show net operating losses carried forward by country multiplied with the tax rate, the deferred tax asset not recognised.

TAX LOSSES CARRY FORWARD BY COUNTRY	2021	2020
Norway	188 442	145 599
Denmark	104 349	72 291
United States	122 878	91 589
South Korea	4 344	0
Balance as of 31.12.	420 013	309 480

2.9 Earnings per share

Earnings per share are calculated by dividing the profit/loss for the year by the corresponding weighted average of the number of outstanding shares during the reporting period. 'Diluted earnings per share' is based on the same calculation as for earnings per share, but it also considers all potential shares with dilutive effect that have been outstanding during the period. Potential shares relate to agreements that confer the right to issue shares in future. Options are excluded if their effect would have been anti-dilutive.

Earnings per share is calculated as profit/(loss) attributable to the equity holders of the parent company divided by the average number of shares outstanding.

(Amounts in NOK thousands)

	2021	2020
Net loss attributable to the equity holders of the parent company and for the purpose of basic and diluted shares	-1 666 852	1 261 880
Basic earnings per share		
Issued ordinary shares at 1 January	1 407 797	1 222 103
Share options exercised	3 502	12 884
Share issued	49 500	172 811
Issued ordinary shares at 31 December	1 460 799	1 407 797
Effect of weighting (share options exercised and share issued during the year)	-48	-41 242
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 460 751	1 366 555
Basic earnings per share for loss attributable to the equity holders of the parent company (NOK)	-1.14	0.92
Diluted earnings per share		
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 460 751	1 366 555
Effect of share options on issue [1]	0	21 806
Weighted-average number of shares outstanding for the purpose of diluted earnings per share	1 460 751	1 388 361
Diluted earnings per share for loss attributable to the equity holders of the parent company (NOK)	-1.14	0.91

[1] As of 31 December 2021, 23 435 706 weighted-average options were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive (earnings per share is negative).

3.1 Intangible assets

Research and development

Research

Research activities are defined as activities whose purpose is to generate new technological understanding or knowledge. Research costs are expensed as incurred.

Development

Capitalised development costs are recognised at historical cost after the deduction of accumulated amortisations and impairments. The capitalised value is amortised over the period of expected future earnings from the related project on a straight-line basis.

Technology

As an indication of the level of internal technology costs, Nel currently has 36 and 54 full time employees working directly with R&D in the electrolyser and fueling division, respectively. Of the 36 full time employees working with electrolysers, 23 engineers are dedicated to technology at Nel Hydrogen US in Wallingford, U.S. and 13 are dedicated to the technology at Nel Hydrogen Electrolyser AS in Notodden, Norway.

Electrolyser

Nel invests in development of large-scale industrialisation of Electrolyser products. Work is in progress to develop a pressurized alkaline Electrolyser targeting 1000Nm3/h single cell stack to support and meet the demand of our customers. In addition, also development of the current atmospheric alkaline technology into larger capacity solutions are on-going. Finally, in order to meet new large-scale opportunities within the PEM portfolio, Nel is developing a larger single cell-stack PEM platform. All these three development activities are targeting to reduce total cost of ownership for our customers.

The Electrolyser division have recognised technology from internal internal development of NOK 189.4 (117.9) million on the statement of financial position as of 31.12.2021.

Fueling

Nel continues to see the market of Heavy-Duty transportation move fast towards Hydrogen. Therefore, in the fueling division there will be a significant investment in the development of next generation HDV equipment like high-capacity station modules and dispensers. This is to serve customers who have a need for large capacity dispensing capability, enabling fueling of a heavy-duty truck in 10-15 minutes, to achieve a range of 1 000 km. In addition, there will be ongoing investments in factory and laboratory to be able to accommodate HDV fueling equipment.

The Fueling division have recognised technology from internal internal development of NOK 109.1 (91.8) million on the statement of financial position as of 31.12.2021.

Significant accounting judgements - Development costs

Development expenditures on an individual project are recognised as an intangible asset when the group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- How the asset will generate future economic benefits
- Its intention to complete and its ability and intention to use or sell the asset
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

To demonstrate technical feasibility and availability of resources, it should be a high certainty that Nel is able to complete. If the risk is above medium, then the development project is expensed as incurred. A capitalised development project commence amortisation when a succesful pilot is demonstrated. After a succesful pilot, the technology enters 'ramp-up' stage and subsequent expenditure is maintenance of existing technology (expensed).

Useful life, amortisation plan

- Technology has a useful life of 3-7 years
- Customer relationship has a useful life of 7-10 years
- Goodwill has indefinite life

Customer relationship

Customer relationship is acquired through business combinations. Customer relationship is initially measured at cost and subsequently amortised over useful life, using the straight-line method. At period end customer relationship is recognised at historical cost after the deduction of accumulated depreciation and impairments.

Goodwill

Goodwill recognised in the statement of financial positions has been acquired through business combinations. Goodwill occur as the residual in the business combination, being the excess of the aggregate of the consideration transferred and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Goodwill is initially measured at cost which is net of tax amount.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	GOODWILL	TOTAL
Acquisition cost as of 01.01.2020	546 343	96 935	609 621	1 252 899
Additions from internal development	83 659	0	0	83 659
Currency effects	428	-123	10 576	10 881
Acquisition cost as of 31.12.2020	630 430	96 812	620 198	1 347 440
Additions from internal development	99 160	0	0	99 160
Additions aqcuired separately	19 710	0	0	19 710
Disposals	-97	0	0	-97
Currency effects	-396	-35	-4 547	-4 978
Acquisition cost as of 31.12.2021	748 807	96 777	615 651	1 461 235
Accumulated amortisation and impairment as of 01.01.2020	94 607	39 750	467	134 825
Amortisation	48 310	12 367	0	60 677
Reversed amortisation disposals	58 858	0	0	58 858
Currency effects	1 313	0	0	1 313
Accumulated amortisation and impairment as of 31.12.2020	203 089	52 117	467	255 673
Amortisation	52 918	12 278	0	65 196
Reversed amortisation disposals	-97	0	0	-97
Reclassification	-1 118	0	0	-1 118
Currency effects	-2 564	0	0	-2 564
Accumulated amortisation and impairment as of 31.12.2021	252 228	64 395	467	317 091
Carrying value as of 31.12.2020	427 341	44 695	619 731	1 091 767
Carrying value as of 31.12.2021	496 579	32 381	615 184	1 144 144

Impairment loss NOK 0 (58.9) million in category Technology is included within "Impairment of tangible and intangible assets" in profit or loss.

Specification of carrying amount

2021

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	GOODWILL	TOTAL
Internal development	298 539	0	0	298 539
Aqcuired separately	1 369	0	0	1 369
Acquired through business combinations	196 671	32 381	615 184	844 236
Carrying value as of 31.12.2021	496 579	32 381	615 184	1 144 144

2020

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	GOODWILL	TOTAL
Internal development	209 807	0	0	209 807
Aqcuired separately	997	0	0	997
Acquired through business combinations	216 537	44 695	619 731	880 963
Carrying value as of 31.12.2020	427 341	44 695	619 731	1 091 767

ESTIMATION UNCERTAINTY - Impairment of goodwill and intangible assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget and strategy forecasts for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments which has not commenced that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in this note.

Goodwill and intangible assets with indefinite useful lives - impairment considerations

Goodwill, and CGUs where goodwill has been allocated, are required to be tested for impairment annually. The group performed its annual impairment test in December 2021. Impairment losses are recognised where the recoverable amount is less than the carrying amount. There were no impairment losses recognised in 2021, or in 2020.

Annual impairment test - assumptions

CGU

The annual impairment test is performed for all the Group' Cash Generating Units (CGUs). A CGU is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. The way management monitors operations assisted in the judgements of identifying the CGUs.

The Group' CGUs are

- Electrolyser Norway
- Electrolyser US
- Fueling

SPECIFICATION OF ALLOCATED GOODWILL PER CGU	2021	2020
Electrolyser US	272 184	263 333
Electrolyser Norway	61 364	61 364
Fueling	281 635	295 033
Balance as of 31.12.	615 184	619 731

Market capitalisation

The group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As of 31 December 2021, the market capitalisation of the group was approximately 4 times above the book value of equity, indicating no impairment of goodwill and impairment of the assets. In 2020 the market capitalisation was 7 times above the book value of equity.

Key assumptions

The calculations of value in use are sensitive to several assumptions, the following are assessed key assumptions in the measured value:

- Revenue growth
- EBITDA margins
- Discount rate / Weighted average cost of capital (WACC)

Forecast period

For each CGU, a recoverable amount has been measured. The impairment test has been based on the business and strategy plans approved by the Board of Directors and management's best estimate of cash flows. The recoverable amount is based on a discounted cash flow model determined value in use, which are based on the following:

i) the future expectations reflected in the current budget and strategy over the next 5-year period (forecast period); and
ii) a declining growth rate for the subsequent five years as Nel assesses that 2025 is not a steady state of the hydrogen industry and not for Nel, specifically.

Nel has applied declining growth rates starting from 7% in 2027 declining 1% yearly down to 1.5% annual growth from 2031.

Discount rate

Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC considers the cost of debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest-bearing borrowings the group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future cash flows to reflect a pre-tax nominal discount rate. Pre-tax nominal discount rate is in the range of 8.5 % to 11.6 %.

Annual impairment test – results and sensitivity

The impairment test has been prepared in accordance with IAS 36 impairment of non-financial assets following the discounted cash flow methodology for value in use within the standard. The cash flows projections relate to the cash-generating unit in the current condition which means future investments not commenced has not been included in the valuation. In addition, the standard encourages a conservative valuation to ensure that assets are not carried at more than their recoverable amount.

(Amounts in NOK thousands)

	ELECTROLYSER US	ELECTROLYSER NORWAY	FUELING
Goodwill	272 184	61 364	281 635
Other intangible assets	304 538	109 611	114 812
Other invested capital	137 315	374 555	222 501
Carrying value	714 037	545 530	618 948
Recoverable amount	1 077 016	2 287 266	2 981 760
Headroom	362 979	1 741 736	2 362 812
Pre-tax nominal discount rate	10.1 %	11.2 %	8.5 %
Terminal growth rate	1.5 %	1.5 %	1.5 %

ELECTROLYSER US

Electrolyser US is the Group' segment for the PEM electrolyser technology. The CGU covers the production and manufacturing of PEM electrolyser equipment in Wallingford, Connecticut, US. The operations consist of both assembly of electrolyser, marketing activities and product development.

The table below show the sensitivity analysis for the range of +/-2 percentage points in WACC and +/-4 percentage points in EBITDA margin.

Sensitivity in headroom

(amounts in NOK million)

		PERCENTAGE POINT CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	253	638	1 024	1 409	1 793
	-1.0%	3	319	636	952	1 267
	0.0%	-173	95	**363***	631	897
	1.0%	-302	-70	162	393	623
	2.0%	-399	-196	8	211	413

* Represents headroom in impairment calculation for the CGU. Negative numbers in the table indicate impairment

ELECTROLYSER NORWAY

Electrolyser Norway is the Group' segment for the Alkaline electrolyser technology. The CGU covers the production, manufacturing and development of both atmospheric alkaline and pressurised alkaline electrolyser equipment in Herøya and Notodden, Norway. The new plant at Herøya, Norway started operations in 2021 and will scale the production. The operations consist of both assembly of electrolyser, marketing activities and product development.

The table below show the sensitivity analysis for the range of +/-2 percentage points in WACC and +/-4 percentage points in EBITDA margin.

Sensitivity in headroom (amounts in NOK million)		PERCENTAGE POINT CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	1 351	2 160	2 970	3 775	4 578
	-1.0%	905	1 583	2 260	2 934	3 606
	0.0%	580	1 161	**1 742***	2 319	2 893
	1.0%	334	841	1 347	1 850	2 351
	2.0%	142	590	1 038	1 483	1 925

* Represents headroom in impairment calculation for the CGU.

FUELING

Fueling is the Group' segment for the Hydrogen fueling technology. The CGU covers the production and manufacturing of hydrogen refueling stations in Herning, Denmark. The operations consist of both assembly of hydrogen refueling stations, marketing activities and product development. The Fueling segment offers H2Station® for fast fueling of fuel cell electric vehicles as well as services in relation to the supply of these stations. The objective of the segment is to deliver world class fueling stations offering a complete solution from sourcing and storage of hydrogen to fueling of vehicles.

The table below show the sensitivity analysis for the range of +/-2 percentage points in WACC and +/-4 percentage points in EBITDA margin.

Sensitivity in headroom (amounts in NOK million)		PERCENTAGE POINT CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	2 234	3 563	4 892	6 222	7 545
	-1.0%	1 299	2 325	3 352	4 378	5 398
	0.0%	703	1 533	**2 363***	3 193	4 017
	1.0%	293	986	1 679	2 372	3 059
	2.0%	-4	588	1 180	1 772	2 359

* Represents headroom in impairment calculation for the CGU. Negative numbers in the table indicate impairment

Additional sensitivities –assumptions

The sensitivities in the table show the change in assumptions that results in zero headroom, at perpetuity growth 1.5%, all else being equal. The table shows the sensitivities for the WACC used, but also for WACC +/- one percentage point:

KEY ASSUMPTIONS	PERIODS CHANGED	WACC CHANGE (PPS)	ELECTROLYSER US	ELECTROLYSER NO	FUELING
Revenue growth multiple [1]	Total multiple growth in NOK from 2021 to terminal	1.0%	-0.2	-14.8	-2.0
		0.0%	-0.4	-16.1	-2.3
		-1.0%	-0.6	-17.8	-2.6
Gross margin [2]	Perecentage points in terminal	1.0%	-1.6%	-6.3%	-5.4%
		0.0%	-3.0%	-6.9%	-6.2%
		-1.0%	-4.4%	-7.6%	-7.0%
Free cash flow margin [3]	Perecentage points in terminal	1.0%	-1.7%	-7.3%	-5.7%
		0.0%	-3.1%	-7.7%	-6.3%
		-1.0%	-4.3%	-8.0%	-6.8%

[1] If revenue assumption in terminal is reduced with this year's revenue multiplied with this factor, the headroom is zero.
[2] If average gross margin rate assumption in the CGU is reduced with this percentage point in the terminal, the headroom is zero.
[3] If free cash flow margin rate assumption in the CGU is reduced with this percentage point in the terminal, the headroom is zero.

3.2 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

Property, plant and equipment are measured using the cost model; thus, recognised at cost price after deduction for accumulated depreciation and any impairment. Cost prices include purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The assets are depreciated using the straight-line method over the expected useful life of the asset. Costs of direct maintenance on the operating assets are expensed as incurred. Additional investments and improvements are added to the asset's cost price and depreciated in line with the remaining useful life of the asset.

(Amounts in NOK thousands)

		MACHINERY AND EQUIPMENT		BUILDINGS			
	ASSET UNDER CON-STRUCTION	OFFICE MACHINES AND OTHER EQUIPMENT	PRODUCTION EQUIPMENT	BUILDINGS	TECHNICAL INSTALLATIONS	RIGHT-OF-USE ASSETS (NOTE 3.3)	TOTAL
Acquisition cost as of 01.01.2020	26 219	38 864	30 943	115 611	5 476	94 197	311 310
Additions	109 381	14 516	8 461	21 363	0	4 155	157 876
Disposals	0	-2 057	-4 253	-122	0	0	-6 432
Reclassification	-3 341	2 811	530	0	0	0	0
Remeasurement	0	0	0	0	0	2 063	2 063
Currency effects	-69	-389	-14	6 274	18	-96	5 724
Acquisition cost as of 31.12.2020	132 190	53 745	35 667	143 126	5 494	100 320	470 542
Additions	217 164	15 631	22 452	8 369	570	15 155	279 340
Disposals	0	-7 129	-503	-26 972	-401	0	-35 004
Reclassification	-555	-1 483	400	-28	411	0	-1 256
Remeasurement	0	0	0	0	0	35 992	35 992
Currency effects	137	-645	362	-4 190	-20	275	-4 082
Acquisition cost as of 31.12.2021	348 935	60 119	58 378	120 305	6 054	151 741	745 532
Accumulated depreciation as of 01.01.2020	0	18 100	15 494	10 347	1 343	9 856	55 140
Depreciation	0	6 793	5 302	3 455	542	14 518	30 609
Impairment	11 827	0	980	0	0	0	12 807
Reversed depreciation disposals	0	-1 856	-4 402	-122	0	0	-6 380
Reclassification	0	-42	0	0	0	0	-42
Currency effects	0	18	-162	492	9	0	356
Accumulated depreciation as of 31.12.2020	11 827	23 012	17 211	14 172	1 894	24 374	92 490
Depreciation	0	11 592	6 498	3 571	89	16 170	37 919
Impairment	4 500	0	0	0	0	0	4 500
Reversed depreciation disposals	0	-6 920	-503	-3 622	-401	0	-11 446
Reclassification	0	-1 285	-9	-373	411	0	-1 256
Currency effects	0	-140	318	-355	-12	0	-189
Accumulated depreciation as of 31.12.2021	16 327	26 259	23 515	13 392	1 981	40 544	122 018
Carrying value as of 31.12.2020	120 363	30 733	18 456	128 954	3 600	75 946	378 052
Carrying value as of 31.12.2021	332 608	33 860	34 863	106 913	4 073	111 197	623 514

Useful life, depreciation plan

- Office machines and other equipment has a useful life of 3-5 years
- Production equipment has a useful life of 3-8 years
- Buildings has a useful life of 30-40 years
- Technical installations have a useful life of 15-10 years
- Right of use assets has a useful life of 2-10 years

Impairment

An assessment of impairment of property, plant and equipment is made if there is an indication of impairment. If the impairment test reveals that an asset's carrying amount is higher than the recoverable amount, an impairment loss will be recognised. An impairment loss of NOK 4.5 (12.8) million has been included within "Impairment of tangible and intangible assets" in profit or loss this year.

Property, plant and equipment is included in 'other invested capital' allocated to the respective CGU's for the annual impairment test where goodwill is allocated. See note 3.1 for impairment considerations for other invested capital.

3.3 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement date or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. The Group has not chosen to follow the practical expedient to account for the lease and non-lease components as a single component. Non-lease components are treated separately in other standards than IFRS 16.

The group recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Refer to section significant accounting judgements – estimating the incremental borrowing rate (IBR) for additional information.

Lease payments included in the measurement of the lease liability comprise the following: i) fixed payments and ii) variable lease payments that depend on an index, initially measured using the index or rate as at the commencement date. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Payments for insurance, property tax and VAT are excluded from the lease payments amount as they are defined variable lease payments.

The Group presents right-of-use assets in 'property, plant and equipment' and the lease liabilities within 'lease liabilities', divided into current and non-current portions.

Short-term leases and leases of low value assets

Nel have elected the practical expedient of treating short-term leases and low value assets outside the scope of IFRS 16

Significant accounting judgements - Estimating the incremental borrowing rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The Group determines its incremental borrowing rate by considering various interest rates (risk free rate as 10 year government bonds, and risk premiums) and makes certain adjustments to reflect the terms of the lease, the type of the asset leased and certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The group has lease contracts for various items of manufacturing facilities, offices, warehouse, parking, vehicles and other equipment used in its operations. Leases of manufacturing facilities generally have lease terms between 10 and 15 years, while offices, warehouse and parking have 5 years and motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

'Manufacturing facilities' comprise the Group' two significant leases in the manufacturing facilities at Herøya (Norway) and Wallingford (US).

Right-of-use assets

(Amounts in NOK thousands)

	MANU-FACTURING FACILITIES	OFFICE, WAREHOUSE AND PARKING	MOTOR VEHICLES	EQUIPMENT	TOTAL
As of 01.01.2020	74 685	8 008	1 475	173	84 341
Additions	0	874	2 613	669	4 155
Remeasurement	1 637	568	-142	0	2 063
Depreciation	-9 220	-3 887	-1 114	-296	-14 518
Translation difference	-133	-9	31	15	-96
As of 31.12.2020	66 969	5 554	2 862	560	75 946
Additions	0	13 657	1 380	117	15 155
Remeasurement	33 843	2 323	-174	0	35 992
Depreciation	-9 030	-5 637	-1 386	-116	-16 170
Translation difference	490	-56	-120	-39	275
As of 31.12.2021 (note 3.2)	92 272	15 841	2 563	522	111 197

During 2021, the determination of a termination option within a manufacturing facility lease agreement (Herøya) has been reassessed. The reassessment concluded that Nel is not reasonably certain to exercise the termination option. The reassessment resulted in a remeasurement of lease liabilities of NOK 33.8 million in 2021, also increasing the right-of-use assets with the same amount.

Lease liabilities

The table below show the carrying amounts of lease liabilities (both current and non-current portion) and the movements during the period:

(Amounts in NOK thousands)

	2021	2020
Balance as of 01.01.	91 416	91 187
Additions	15 155	4 155
Remeasurement	35 992	2 061
Accretion of interest	8 792	8 792
Lease payments	-18 357	-14 526
Translation differences	423	-252
Balance as of 31.12.	133 421	91 416
Current	19 916	14 291
Non-current	113 505	77 125
Balance as of 31.12.	133 421	91 416

The maturity analysis of undiscounted cash flow in lease liabilities is disclosed in Note 5.2. The difference between discounted cash flows and undiscounted cash flows (discount effect) is NOK 73.8 (70.9) million as of 31.12.2021. The discount effect is mainly related to manufacturing facility at Herøya with included lease term until 2035.

Reconciliation of liabilities arising from financing activities in statement of cash flows, split in cash flows and non-cash changes.

(Amounts in NOK thousands)

	2021	2020
Balance as of 01.01.	91 416	91 187
Cash flows principal amount	-15 467	-10 915
Cash flows interests	-2 890	-3 611
Non-cash changes		
Additions and remeasurements	51 147	6 216
Accretion of interest expense	2 890	3 611
Accretion of capitalised interests	5 902	5 181
Foreign currency effects	423	-252
Balance as of 31.12.	133 421	91 416

Amounts recognised in profit or loss

(Amounts in NOK thousands)

	2021	2020
Depreciation expense of right-of-use assets	-16 170	-14 518
Interest expense on lease liabilities	-2 890	-3 611
Income from subleasing right-of-use assets	1 920	2 379
Expense relating to leases of low-value assets	-544	-203
Expense relating to short-term leases, excluding short-term leases of low-value assets	-1 597	-131
Variable lease payments	0	0
TOTAL amount recognised in profit or loss	-19 281	-16 084

Other information

Total cash outflow for leases as a lessee	20 498	14 860
Weighted incremental borrowing rate used as discount rate for the measuring of lease liabilities	7.8 %	9.6 %

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term

Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

Significant accounting judgements - Determining the lease term of contracts with renewal and termination options - Group as a lessee.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

In general, the renewal periods for leases of manufacturing facilities, offices, warehouse and parking with longer non-cancellable periods (i.e. 6-10 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than three years and, hence is not exercising any renewal options. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Set out below are the material undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

	2022	2023	2024-2026	2026<
Extension options not reasonably certain to exercise	0	0	19 380	58 140
Termination options expected to be exercised	0	0	0	0
TOTAL	0	0	19 380	58 140

As a lessor

The group have no leases as lessor except for sub-lease. All sub-leases are office space that has been presented as right-of-use assets as part of the property, plant and equipment. When considering the lease term of the sub-lease and the head lease a major part of the economic life of the asset is retained by the Group. All sub-leases have been classified as operating leases and the lease payments received is recognised on a straight-line basis over the lease term as part of 'other operating income'.

3.4 Investments in associated companies and joint ventures

An associate is an entity where the group has significant influence, but not control or joint control.

A joint venture is an entity where the group has joint control contractually together with one or several other parties, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The group's investments in its associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. The statement of profit or loss reflects the group's share of the profit or loss in equity-accounted investees. Any change in OCI of those investees are presented as part of the group's OCI.

No dividends have been received during 2021 or 2020.

The group is not committed to financing the losses and has not provided any guarantee of equity-accounted investees' obligations. This means that if equity in any of the equity-accounted investees are negative, Nel recognise book value of shares as NOK 0 at the end of the year, without any provisions for liabilities.

(Amounts in NOK thousands)

					ACQUISITION COST		CARRYING VALUES	
	COUNTRY	SEGMENT	OWNERSHIP	TYPE	2021	2020	2021	2020
Sagim SAS	France	Electrolyser	37,0%	Associate	100	100	100	100
Hyon AS	Norway	Fueling	28,7%	Associate	572	0	572	0
Viken Hydrogen AS	Norway	Fueling	10,0%	Associate	0	1 028	0	723
Glomfjord Hydrogen AS	Norway	Electrolyser	23,2%	Associate	1 626	467	1 626	467
SUM associated companies					2 298	1 594	2 298	1 289
Íslenska Vetnisfélagið	Iceland	Fueling	10,0%	Joint venture	2 346	2 346	0	0
SUM joint ventures					2 346	2 346	0	0
TOTAL associated companies and joint ventures					4 645	3 941	2 298	1 289

Viken Hydrogen AS (10.0%):

In 2021, the shareholdings in Viken Hydrogen wasrestructured and Nel has no control of the shares as the other owners have a call option. Thus, the shareholdings has been reclassified to a forward and the carrying value as of 31 December 2021 is presented within 'other current assets'. Refer to note 4.3 for additional information.

Hyon AS (28.7%):

Hyon AS primarily targets the opportunities within the maritime and marine segments as well as projects to leverage renewable energy resources. The company was established together with Hexagon Composites ASA and PowerCell Sweden AB, each party owns an equal 33.33% share of the company. During 2021 the ownership of the company was restructured and new majority owners was Saga Pure ASA and Norwegian Hydrogen AS, together with Nel.

On 21 January 2022, Hyon AS, completed a private placement at a price of NOK 2.34 per share and subsequently a successful admission to Euronext Growth Oslo. The private placement values the company, based on the shares outstanding following the private placement and the offer price, at approximately NOK 130 million. Nel ASA owns 9 080 000 shares, or 17.64%, of the company subsequent the private placement. Hyon AS had its first day of trading on Euronext Growth Oslo 14 February 2022.

3.5 Non-current financial assets

(Amounts in NOK thousands)

	2021	2020
Investment in Hydrogen Energy Network (HyNet)	31 902	19 984
Long-term investments	56 280	41 410
Fair value of derivatives (note 6.5)	1 877	8 181
Prepayments	170	190
Other non-current financial assets	2 662	2 069
Balance as of 31.12.	92 889	71 835

Hydrogen Energy Network (HyNet).

During 2021, the Group invested NOK 13.1 (13.0) million in Hydrogen Energy Network (HyNet). The cost of shares in Hynet is NOK 33.9 (20.8) million and revalued to NOK 31.9 million as of 31 December 2021. The group's shareholdings constitute a 4.75 % ownership interest. HyNet is structured as a Special Purpose Company and is principally engaged in expanding the hydrogen fueling infrastructure in South Korea. The shares are unquoted and there have not been any transactions of an identical or similar instrument. The shares are stated at the cost price of the shares which is the approximate fair value at year end.

Fair value information has not been disclosed for the investment in note 6.6 because the fair value cannot be measured reliably.

Long-term investments

Nel occasionally enters contracts with customers with specific guarantee clauses that require Nel to purchase certain performance bonds or advance payment guarantee products from financial institutions. The products are secured by cash collateral.

In addition, Nel has some lease agreements which require deposits in a restricted bank account throughout the lease term.

Both cash collateral and deposits are assessed as investments (i.e. not cash or cash equivalents) as the maturity exceeds 3 months. Long-term investments include the investments that exceed 12 months.

Performance and warranty bonds

NOK 24.7 (6.6) million relates to outstanding irrevocable letters of credit used as assurance for bid and contract performance, these letters of credit mature between 31 December 2021 and 2 March 2024. As of 31 December 2021, the customers have drawn NOK 0.0 (0.0) million on the letters of credit.

Advance payment guarantee

Generally, in the contracts with customers, Nel receives advance payments. As of 31 December 2021, Nel has NOK 10.4 (8.4) as cash collateral for irrevocable letters of credit issued for advance payment guarantees with financial institutions. As of 31 December 2021, the customers have drawn NOK 0.0 (0.0) million on the letters of credit.

Lease payments guarantee (deposits) and other deposits

Deposits for lease payments comprise security for lease payments throughout the lease terms for cars, office premises and manufacturing facilities. As of 31 December 2021 the Group has NOK 19.6 (26.4) million in such deposits.

4.1 Inventories

Inventories comprises purchased raw materials, work in progress and finished goods. Obsolescence is considered for inventories and write-down is performed on obsolete goods.

Inventories are measured under the weighted-average cost formula. The cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items bought or produced during the period. The average is calculated on a quarterly basis.

(Amounts in NOK thousands)

	2021	2020
Raw material	68 431	37 140
Work in progress	92 133	51 192
Finished goods	188 269	152 882
Allowance for obscolete inventory	-20 366	-4 085
Balance as of 31.12.	328 465	237 129

Inventories are measured at the lowest of cost and net realisable value less costs to sell. In both 2020 and 2021, all items of inventories are measured at cost.

The amount of inventories recognised as an expense was NOK 510.2 (382.9) million during the period.

4.2 Trade receivables

Trade receivables are initially recognised at their transaction price, i.e. the amount of consideration to which Nel expects to be entitled for transferring the promised goods or services to the customer. Trade receivables are subsequently accounted for at amortised cost and are reviewed for impairment on an ongoing basis. Trade receivables are generally not discounted. Trade receivables are presented net of expected credit losses. Changes in the expected credit loss are recognised within other operating expenses in statement of comprehensive income.

(Amounts in NOK thousands)

	2021	2020
Receivables from third-party customers	212 585	102 496
Allowance for expected credit losses	-1 177	-1 046
Balance as of 31.12.	211 408	101 449

Trade receivables are non-interest bearing and are generally on terms 30 to 60 days

Movements in the allowance for impairment in respect of trade receivables

(Amounts in NOK thousands)

	2021	2020
Balance as of 01.01.	1 046	28 018
Amounts written off	0	0
Net remeasurement of loss allowance	131	-26 972
Balance as of 31.12.	1 177	1 046

See Note 6.1 on credit risk of trade receivables, which explains how the group manages and measures expected credit loss of trade receivables that are neither past due nor impaired.

Nel recognises loss allowances for 'Expected Credit Loss' (ECL) on:
a) Financial assets measured at amortised cost; and
b) Contract assets

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to Nel in accordance with the contract and the cash flows that Nel expects to receive).

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

4.3 Prepaid expenses and other current assets

(Amounts in NOK thousands)

	2021	2020
Equity instruments	568 191	1 686 405
VAT net receivable	7 900	13 106
Short-term investments	39 909	47 826
Prepayments	55 530	18 543
Other current assets	23 022	17 878
Fair value of derivatives (note 6.5)	8 176	10 587
Balance as of 31.12.	702 728	1 794 345

Equity instruments

Nikola Corporation

During 2018 Nel invested USD 5.0 million in Nikola Motor Company Inc (former name).

On June 4 2020 Nikola Corporation completed a listing on Nasdaq. Consequently, Nel's shareholding in Nikola Corporation is based on quoted prices in an active market both per 31 December 2020 and 2021. The Nikola shares lock-up period has expired on November 30, 2020.

The carrying value per 31 December 2021 is NOK 96.3 (144.1) million. The carrying value is calculated as the shareholding of 1 106 520 shares multiplied with closing price in 2021 of USD 9.87, revalued at USD/NOK 8.82.

Nikola Corporation

(Amounts in NOK thousands)

	SHARE-HOLDING	FAIR VALUE USD/ PER SHARE	USD VALUE	USD/NOK	BOOK VALUE
Carrying value as 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 as of 31.12.2020	1 106 520	15.26	16 885	8.53	144 077
Fair value adjustment 2021		-5.39		0.29	-47 757
Carrying value as of 31.12.2021	1 106 520	9.87	10 921	8.82	96 320

Everfuel

During 2018 and 2019 Nel invested NOK 2.2 million in Everfuel A/S. On October 21, 2020 Everfuel A/S completed a listing on Euronext Growth. Consequently, Nel's shareholding in Everfuel A/S is based on quoted prices in an active market both per 31 December 2020 and 2021. The Everfuel shares lock-up period expired on October 29, 2021.

The carrying value per 31 December 2021 is NOK 471.9 (1 542.3) million. The carrying value is calculated as the shareholding of 12 359 109 shares multiplied with closing price in 2021 of NOK 38.18.

Everfuel A/S

(Amounts in NOK thousands)

	SHARE-HOLDING	ACQUISITION COST NOK/ PER SHARE	FAIR VALUE NOK/ PER SHARE	BOOK VALUE
Carrying value as of 01.01.2020				2 468
Share of loss from equity account investees				-739
Private placement				8 770
Fair value adjustment equity instrument				1 531 830
Carrying value as of 31.12.2020	12 338 624	0.85	125.00	1 542 328
Private placement				2 561
Fair value adjustment 2021				-1 073 018
Carrying value as of 31.12.2021	12 359 109	1.12	38.18	471 871

Short-term investments

Everfuel Retail Norway AS

Per 31 December 2021 the Group holds 49 % of the shares in the company. In addition to the shares, the Group holds a put option for all the shares, and the controlling owner has a call option for all of the shares. Both options are irrevocably granted by the other party from 30 December 2020. Consequently, the combination of shares and put/call options results in the shares being sold per 31 December 2020 and consideration will be received in a future period. The forward (consideration for sale of shares) is recognised at fair value, NOK 28.1 (25.0) million per 31 December 2021.

Performance and warranty bonds, advance payment guarantee and lease payments guarantee (deposits)

Guarantees are included as short-term investments with NOK 9.8 (22.8) million. This is the short-term equivalent to the long-term investments, see note 3.5 for additional information.

4.4 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and all other monetary items due within three months or less.

(Amounts in NOK thousands)

	2021	2020
Cash and cash equivalents	2 714 272	2 326 613
Restricted bank deposits for employees' withheld taxes at 31.12	7 949	5 790
Other restricted bank accounts [1]	549	451
Balance as of 31.12.	2 722 769	2 332 854

[1] Other restricted bank accounts comprises short-term deposits and short-term guarantee payments which are assessed equivalent to demand deposits and short-term highly liquid investments that are subject to an insignificant risk of changes in value.

Cash and cash equivalents are 95% in the Norwegian Krone (NOK) at the end of 2021. Approximately NOK 2.4 billion is placed in 30-days locked interest accounts in several different banks

5.1 Share capital and shareholders

Share capital

The share capital comprises the number of shares multiplied by their par value and are classified as equity. Expenses which can be attributed directly to the issue of new shares or options (less tax) are recognised in equity as a reduction in the proceeds received.

As of 31 December 2021, the group's share capital was NOK 292.2 (281.6) million, consisting of 1 460 799 288 (1 407 797 488) shares each with a par value of NOK 0.20 (0.20).

The parent company has only one share class and no special regulations relating to the shares; thus, one share represents one vote.

2021

SHAREHOLDERS AS OF 31.12.2021*	COUNTRY	NUMBER OF SHARES	OWNERSHIP
BlackRock	US	48 417 652	3.31 %
Vanguard	US	43 916 261	3.01 %
DNB Funds	NO	24 390 472	1.67 %
Handelsbanken Funds	SE	21 830 481	1.49 %
KLP Kapitalforvaltning AS	NO	18 703 825	1.28 %
Folketrygdfondet	NO	15 944 952	1.09 %
Storebrand Asset Management	NO	15 639 297	1.07 %
Legal & General	GB	9 239 560	0.63 %
Argenta Asset Management SA	LU	8 992 324	0.62 %
PIMCO	US	8 158 100	0.56 %
Candriam	BE	6 770 894	0.46 %
Green benefit AG	DE	6 532 721	0.45 %
Kommunal Landspensjonskasse	NO	5 635 555	0.39 %
Credit Suisse Asset Management	CH	5 242 176	0.36 %
VanEck	US	4 898 378	0.34 %
ERSTE Asset Management	AT	4 681 100	0.32 %
State Street Global Advisors	US	4 527 747	0.31 %
Allianz Global Investors	DE	3 927 353	0.27 %
Grünes Vermögensmanagement Geld GmbH	DE	3 689 769	0.25 %
Alfred Berg Kapitalforvaltning	NO	3 667 332	0.25 %
Total 20 largest shareholders		264 805 949	18.13 %
Total remaining shareholders		1 195 993 339	81.87 %
Total number of shares		1 460 799 288	100.00 %

* source: Modular Finance AB

As of 31 December 2021, Nel ASA owns 403 514 treasury shares which are recognised at par value NOK 0.20 within 'treasury shares' as a reduction of share capital and total equity.

5.2 Long-term debt and guarantees

(Amounts in NOK thousands)

LONG-TERM DEBT - LENDER	LEGAL ENTITY	MATURITY	INTEREST RATE	2021	2020
1) Nykredit - Industriparken 34	Nel Hydrogen A/S	2038	0,26 %	0	4 969
2) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0,36 %	16 426	17 734
3) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0,27 %	5 482	5 971
4) Nykredit - Vejlevej 3	Nel Hydrogen A/S	2028	0,30 %	1 283	1 610
Balance as of 31.12.				23 191	30 284

	2021	2020
Current portion	1 885	1 747
Non-current portion	21 306	28 537
Balance as of 31.12.	23 191	30 284

Reconciliation of liabilities arising from financing activities

(Amounts in NOK thousands)

	2021	2020
Balance as of 01.01.	30 284	30 577
New loan	0	16 395
Payment of loan	-4 464	-2 320
Non-cash changes:		
Reclassified to government grants	0	-16 395
Accretion of interest	598	600
Foreign currency effects	-3 227	1 428
Balance as of 31.12.	23 191	30 284

Maturity analysis

Maturity analysis for long-term debt (undiscounted cash flows)

2021

	2022	2023	2024	2025	>2025	TOTAL
Nykredit	1 885	1 513	1 523	1 530	16 741	23 191
Lease liabilities (note 3.3)	20 917	23 562	16 557	15 022	131 166	207 225
Estimated interest cost [1)]	513	479	441	408	2 443	4 284
TOTAL long-term debt including interest	23 315	25 554	18 521	16 960	150 350	234 700

[1)] Based on prevailing debt installment agreements and interest rates.

2020

	2021	2022	2023	2024	2025<	TOTAL
Nykredit	1 747	1 753	1 760	1 772	23 127	30 160
Lease liabilities (note 3.3)	16 573	17 727	20 760	14 946	92 288	162 294
Estimated interest cost [1)]	536	504	471	433	3 236	5 180
TOTAL long-term debt including interest	18 857	19 985	22 991	17 152	118 650	197 635

[1)] Based on prevailing debt installment agreements and interest rates.

5.3 Deferred income

(Amounts in NOK thousands)

	2021	2020
Government grants	69 537	63 601
TOTAL deferred income	69 537	63 601

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grants relate to an expense item, it is normally recognised as other operating income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Grants received that relate to an acquisition or development of assets has been presented "gross" in Nel's financial statements. A gross presentation entails that the grant received is presented separately as deferred income. The deferred income is presented as a non-current liability and is amortised over the useful life of the related asset. The amortised part of the deferred income is presented as other operating income in the statement of comprehensive income.

(Amounts in NOK thousands)

	2021	2020
As of 31.12.2020	63 601	59 015
Grants received	22 145	53 195
Income recognised within 'other operating income' in 2021 (note 2.2)	-14 679	-51 132
Translation difference	-1 530	2 523
As of 31.12.2021	69 537	63 601

The aging schedule shows the remaining governments grants divided in the year the grants was initially received.

DEFERRED INCOME AGING SCHEDULE	<2018	2018	2019	2020	2021	SUM
Government grants as of 31.12.2021	9 889	6 713	11 700	24 797	16 437	69 537
Government grants as of 31.12.2020	11 809	7 740	12 192	31 860		63 601

The table below show the split of deferred income (government grant) per operating segment.

OPERATING SEGMENT	COUNTRY	2021	2020
Electrolyser Norway	Norway	41 151	27 557
Fueling	Denmark	28 386	36 044
Balance as of 31.12.		69 537	63 601

The group is not aware of any unfulfilled conditions associated with these grants.

5.4 Other liabilities

Other current liabilities

(Amounts in NOK thousands)

	2021	2020
Vacation allowance and other salary related accruals	43 534	44 937
Public duties payable	14 809	8 432
Other current liabilities	40 776	10 431
Fair value of derivatives (note 6.5)	4 127	3 608
Balance as of 31.12.	103 246	67 407

Other non-current liabilities

(Amounts in NOK thousands)

	2021	2020
Contingent liabilities	7 838	9 002
Other non-current liabilities	450	1 301
Fair value of derivatives (note 6.5)	163	836
Balance as of 31.12.	8 452	11 140

5.5 Provisions

Provisions, contingent liabilities and contingent assets

The group makes provisions when a legal or constructive obligation exists as a result of past events, it is more likely than not that a transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. When the group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. When the effect is significant, provisions are calculated by discounting expected cash flows at a pre-tax rate that reflects the time value of money and if appropriate the risks specific to the liability. Increase in provisions as a result of time passing, is presented as interest expense.

Information regarding significant contingent liabilities is disclosed. A contingent asset is not recognised, but information is disclosed if there is a possibility that a significant advantage will accrue to the group.

Warranty costs

The groups warranty to customers is limited to replacement parts and services and generally expires one year from the date of shipment or contract completion. In some instances, extended warranty on products is sold as part of an equipment sale to a customer. These warranty obligations are recognised rateably over the contract period.

Estimated warranty obligations are recorded in the period in which the related revenue is recognised or when a project is installed or commissioned. The group quantifies and records an estimate for warranty related costs, which is principally based on historical experience. The accounting for warranties requires the Group to make assumptions and apply judgments when estimating product failure rates and expected material and labour costs. The group adjusts accruals as warranty claim data and historical experience warrant. If actual results are not consistent with the assumptions and judgments used to calculate the warranty liability because either failure rates or repair costs differ from the groups assumptions, the group may be exposed to gains or losses that could be material.

(Amounts in NOK thousands)

	ACCRUED WARRANTY	SOSIAL SECURITY SHARE OPTIONS	SETTLEMENT AND CLAIMS	ONEROUS CONTRACTS	TOTAL
As of 01.01.2020	17 721	5 977	10 006	0	33 704
Additions	23 068	1 201	27 620	14 199	66 088
Used during the year	-8 109	-5 921	-9 696	0	-23 726
Reversal of unused provisions	-1 177	0	0	0	-1 177
Foreign currency translation	158	0	-190	-121	-153
As of 31.12.2020	31 661	1 257	27 739	14 078	74 735
Additions	33 933	4	0	2 718	36 655
Used during the year	-7 153	94	-4 007	-8 214	-19 280
Reversal of unused provisions	-2 286	-655	0	0	-2 941
Foreign currency translation	-695	0	38	-406	-1 062
As of 31.12.2021	55 460	701	23 770	8 176	88 106

Accrued warranty
Warranty terms vary by product and operating segment. Nel provides warranty that product complies with specification, and offer repair, replacement or refund of consideration paid for breaches. Such warranties are limited in time, for most products not exceeding 12 months. Some customers purchase extended warranty exceeding the first 12 months. Warranty is based on both contractual commitments and caused by liability under background law. Accrued warranty provision is based on experience assumptions and provision comprises a percentage of revenue from contracts with customers, in the range of 2 % to 6 %.

Social security share options
Social security stock options are the provision for social security payable in Norway, calculated at the intrinsic value at year end. The provision fluctuates with the number of active options, timing of exercise and Nel ASA share price. See note 2.5 for further information on share option program.

Settlement and claims
Settlement and claims comprise disputes, claims and fines where cash outflow is assessed probable (more likely that not to occur). At the end of 2020 the provision is mainly related to the potential fines (no: forelegg) for the Kjørbo incident received on February 16, 2021. In 2021 the provision is unchanged as the case is still open.

Onerous contracts
An onerous contract is a contract in which the unavoidable costs (i.e. the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it) exceed the economic benefits expected to be received under the contract. For all contracts that are onerous, the present obligation under the contract is recognised and measured as a provision.

6.1 Operational risk factors

Objectives, policies and processes for managing capital
The group's objective is to manage the capital structure to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The group sets the size of capital in proportion to business strategy, risk and financial market conditions. The group manages the capital structure and adjusts it in the light of changes in economic conditions, perceived risk associated with product development and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of new share issue or increase the debt by taking up loans.

Technological change
Along with the significant increase in the development of the hydrogen market comes increased competition. This also results in increased activity and pace in research and development across the hydrogen industry. Nel's electrolyser technology consist of both Alkaline and PEM. Currently, the Alkaline technology platform presents the advantage of having the lowest cost, the highest efficiency and of being the better solution for large scale. PEM technology platform has the advantage of dynamic response and intermittent operation.

It is a risk that one of the existing technologies in Nel becomes obsolete. In addition, Nel continuously monitors the developments and possibilities of a disruptive technology emerging. Today, Anion Exchange Membrane (AEM) and Solid Oxide (SOEL) represent possible disruptors. While all technologies can potentially co-exist, the required investment in new technology constitutes a material risk for Nel. In addition, we cannot know for certain whether green hydrogen emerges as the preferred technology as the world transitions into renewable energy.

There are risks associated with technological change, both related to technology elements within the field of hydrogen as well as technology elements outside the field of hydrogen that potentially could make green hydrogen less relevant for the future.

If any of these circumstances materialize in a negative direction, it may have a significant adverse effect on the group's business, prospects, financial results or results of operations. A higher price for renewable power could consequently negatively affect the demand for green hydrogen technologies.

Expansion risk

The uneven pace of Nel's anticipated expansion in facilities, staff and operations may place serious demands on the group's managerial, technical, financial, and other resources. The organisation is currently relatively small and there is no guarantee that the group will be able to build a capable organisation at a speed that is required to meet the demand by its customers or potential customers. Nel's failure to manage its growth effectively or to implement its strategy in a timely manner may significantly harm its ability to achieve profitability.

Dependence of third parties in manufacturing

The group's electrolyser and hydrogen fueling manufacturing operations rely on external subcontractors and suppliers of services and goods to varying degrees. This operating model inherently contains a risk to the group's goodwill and branding. If suppliers fail to meet agreed or generally accepted standards in areas such as environmental compliance, human rights, labor relations and product quality, this could have a significant adverse effect on the group's business, prospects, financial results and results of operations. In general, the company aims at dual sourcing of critical components to limit risk. In addition, the majority of spend is directed towards large industrial companies with full ISO compliance and smaller vendors that are in compliance with local legislation. Further, Nel conducts regular quality reviews, including production site visits for risk assessment.

Nel is dependent on a limited number of third-party suppliers for key production components for its electrolyser and fueling equipment. All contract manufactured or purchased components are designed and selected in order to avoid a critical supply situation. However, in a worst case scenario, if Nel fails to develop or maintain its relationships with its suppliers or such suppliers are prevented from supplying, Nel may be delayed in manufacturing its products or its products may be available only at a higher cost which could prevent Nel from timely delivering its products to its customers and Nel may experience order cancellation, customer claims and loss of market share. To reduce the sourcing risk Nel's supply chain strategy is to have dual supply chains on all components. Nel currently has few components with single source and is at the risk of temporary supply chain disruptions should one or more suppliers fail to deliver. Another supply chain risk is whether the suppliers can follow the expected growth of the industry. In addition to making its current supply chain more robust, Nel is working to facilitate increasing volumes from important sub-suppliers.

Project risk

Nel participates in large commercial projects. Large commercial projects are subject to risks of delay and cost overruns inherent in any large construction project from numerous factors, including:

- unexpectedly long delivery times for, or shortages of, key equipment, parts and materials;
- unforeseen design and engineering problems leading to delays;
- labor disputes and work stoppages;
- HSE accidents/incidents or other safety hazards;
- disputes with suppliers;
- last minute changes to the customer's specifications;
- adverse weather conditions or any other force majeure events; and
- inability or delay in obtaining regulatory approvals or permits

Failure to complete a commercial project on time may result in the delay, renegotiation or cancellation of the contract. Further, significant delays could have a negative impact on Nel's reputation and customer relationships. Nel could also be exposed to contractual penalties for failure to complete the project and commence operations in a timely manner, all of which would aadversely affect Nel's business, financial condition and results of operations.

Key personnel

The successful development and performance of the group's business depends on the group's ability to attract and retain skilled professionals with appropriate experience and expertise. Further, if the group loses the service of its senior management or key personnel, it may not be able to execute its business strategy. There is no assurance, however, that the group will be able to attract or retain such personnel on acceptable terms or at all. Any failure to attract or retain such personnel could have a material and adverse effect on the group's business and operations.

Customer risk

Nel's ability to grow and generate incremental revenue depends to a substantial degree on its ability to successfully acquire new customers, and to maintain and grow its relationships with existing customers. There can be no assurance that Nel will be able to secure new customers, or maintain its relationships with existing customers, in the future. Further, a number of Nel's existing and potential customers are themselves planning substantial growth, and should these customers fail to succeed with their business plans or fail to fulfill their contracts with Nel, Nel's sales to such customers may be adversely affected, and Nel's revenues and results may suffer as a result.

Intellectual property rights

Nel seeks to protect important proprietary manufacturing processes, documentation and other written materials, and other intellectual property primarily under patent, trade secret and copyright laws. It also typically requires employees, consultants and companies that have access to its proprietary information to execute confidentiality agreements. The steps taken by Nel to protect its proprietary information may not be adequate to prevent misappropriation of its technology. In addition, Nel's proprietary rights may not be adequately protected because:

- people may not be deterred from misappropriating its technologies despite the existence of laws or contracts prohibiting misappropriation;
- policing unauthorised use of Nel's intellectual property is difficult, expensive and time-consuming, and the group may be unable to determine the extent of any unauthorised use; and
- the laws and legislation of countries in which the group sell or plans to sell its products may offer little or no protection for its proprietary technologies.

Unauthorised copying or other misappropriation of Nel's proprietary technologies could enable third parties to benefit from its technologies without paying for doing so. Any inability to adequately protect its proprietary rights could harm the group's ability to compete, to generate revenue and to grow its business. This could have a significant adverse effect on the group's business, prospects, financial results and results of operations.

Some of the group's patents are due to expire within the next couple of years which means that the group will lose the sole right to certain technology in certain areas. Although the company believes that this will have little effect on the company's competitive position, no assurance can be made to this point.

The group may not obtain sufficient patent protection on the technology embodied in its products and production processes, which could significantly harm its competitive position. Patents may provide only limited protection for its technology and may not be sufficient to provide competitive advantages. For example, competitors could be successful in challenging any issued patents or, alternatively, could develop similar or more advantageous technologies on their own or design around the group's patents. Also, patent protection in certain countries may not be available or may be limited in scope and any patents obtained may not be as readily enforceable as in all jurisdictions, making it difficult for the group to effectively protect its intellectual property from misuse or infringement by other companies in these countries. Any inability to obtain and enforce intellectual property rights in some countries could have a significant adverse effect on the group's business, prospects, financial results and results of operations. In addition, given the costs of obtaining patent protection and the sometimes limited potential for protection, the group may choose not to protect certain innovations that later turn out to be important. There is also a general risk that the group receives information subject to confidentiality agreements, regarding other parties' know-how and trade secrets in relation to technology which may hinder the group from development of similar intellectual assets.

Adverse publicity and product liability

Product liability claims against the group could result in adverse publicity and potentially monetary damages. It is possible that its products could result in injury, whether by product malfunctions, defects, improper installation or other causes. The successful assertion of product liability claims against the group could result in potentially significant monetary damages, which could have a significant adverse effect on the group's business, prospects, financial results and results of operations. As of the date of this annual report, the group is unaware of any current or pending product liability claims made against the group.

6.2 Financial risk factors

The key financial risks the group is exposed to are related to liquidity, currency, interest rate, and credit risk.

Liquidity risk

Liquidity risk is the potential loss that occurs when the group fails to fulfil its contractual obligations when they fall due. Nel is operating in a fast-growing, emerging market, with a long list of initiatives in many regions. The need to address growth opportunities ahead of actual market demand, balanced with the need to conserve cash, is a continual challenge. The timing of addressing such elements and risks is important. Moving too fast could result in an unnecessarily high cost level, with cash requirements beyond the current financing plan.

However, the group has a strong liquidity position, NOK 2722.8 million, as per 31.12.2021. The strong cash position is a good basis for the group's growth strategy. The group monitors its risks associated with lack of capital up against the company's planned activities.

The group will, if necessary, attempt to raise capital through private placements, debt financing, partnerships, and strategic alliances or from other sources. The group may fail to raise capital on acceptable terms, or not do it at all, and this can result in a liquidation of the group.

Currency risk

Nel operates internationally and is subject to currency risks arising from foreign currency transactions and exposures. As the group presents its consolidated results in NOK, any change in exchange rates between NOK and its subsidiaries' functional currencies, primarily with respect to changes in USD and DKK, affects its consolidated statement of income and consolidated statement of financial position. As the group expands its operations with projects in new markets the currency risk exposure increases.

The group is on an overall level managed as a NOK company for currency risk management purposes with primary focus on NOK cash flow.

The groups gross foreign currency risk exposure is significant, with the majority of revenue and expenses denominated in foreign currency. The group mitigate the currency risk exposure by entering into forward currency contracts with financial institutions. The group has a residual net currency risk exposure considering hedging which is considered low to medium. Currency fluctuation effects on net profit of the year:

(Amounts in thousands)

PROFIT AND LOSS			CHANGES IN EXCHANGE RATE NOK/FOREIGN CURRENCIES			
NET PROFIT IN FOREIGN CURRENCIES	VALUE IN CURRENCY	VALUE IN NOK	-10%	-5%	+5%	+10%
DKK	-294 023	-422 863	42 286	21 143	-21 143	-42 286
USD	582	5 474	-547	-274	274	547
KRW	6 578 789	52 433	-5 243	-2 622	2 622	5 243
SEK	9 845	10 068	-1 007	-503	503	1 007
GBP	-201	-2 206	221	110	-110	-221
EUR	-657	-7 047	705	352	-352	-705
Effect on net income (loss)			36 414	18 207	-18 207	-36 414
STATEMENT OF FINANCIAL POSITION						
NET RECEIVABLES/LIABILITIES IN FOREIGN CURRENCIES						
DKK	-10 803	-15 201	1 520	760	-760	-1 520
USD	19 001	162 124	-16 212	-8 106	8 106	16 212
KRW	-	-	-	-	-	-
SEK	18 966	19 791	-1 979	-990	990	1 979
GBP	-934	-10 276	1 028	514	-514	-1 028
EUR	16 590	173 702	-17 370	-8 685	8 685	17 370
Effect on net income (loss)			-33 014	-16 507	16 507	33 014
Total effect on Net income (loss) and Equity			3 400	1 700	-1 700	-3 400

The table shows the gross foreign currency exposure based on each entity in the group' functional currency, before hedging. Nel's hedging strategy and designated instruments are elaborated and disclosed in note 6.5. The figures exclude translation of intercompany loans in Nel ASA

Interest rate risk

The group does not have a significant amount of interest bearing long-term debt. Due to the low amount of debt in the group it is assessed that a change in interest rates will not have a material effect on the financial statements.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Nel is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Expected credit loss assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a factor method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - geographic region, age of customer relationship and type of products purchased.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as of 31 December, 2020 and 2021.

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by a factor to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and Nel's view of economic conditions over the expected lives of the receivables.

2021	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	
Current (not past due)	0.0 %	112 999	12	
1-30 days past due	0.1 %	52 871	27	
31-60 days past due	0.8 %	16 501	124	
61-90 days past due	1.0 %	3 435	33	
91 days to one year past due	1.7 %	20 301	337	
More than one year past due	10.0 %	6 479	645	
Total		212 585	1 177	0.6 %

2020	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	
Current (not past due)	0.0 %	54 392	5	
1-30 days past due	0.2 %	8 710	17	
31-60 days past due	0.8 %	17 064	128	
61-90 days past due	1.0 %	4 142	41	
91 days to one year past due	3.0 %	13 775	413	
More than one year past due	10.0 %	4 411	441	
Total		102 496	1 046	1.0 %

6.3 Market risk factors

Market development risk

Significant markets for fueling products, other hydrogen energy products or renewable energy as a major source for hydrogen production may never develop or may develop more slowly than the group anticipates. This would significantly harm Nel's revenues and may cause Nel to be unable to recover the expenditures it has incurred and expect to incur in the development of its products.

Regulatory issues

The group's operations are subject to numerous environmental requirements. Such laws and regulations govern, among other matters, air pollution emissions, wastewater discharges, solid and hazardous waste management, and the use, composition, handling, distribution and transportation of hazardous materials. Many of these laws and regulations are becoming increasingly stringent (and may contain "strict liability"), and the cost of compliance with these requirements can be expected to increase over time.

The group's electrolyser production depends on various discharge permits granted by various authorities. From time to time, breaches of the allowed emission limits set out in such permits may occur. If such limits of the relevant permits should be exceeded, this may have a significant effect on the group's operations and result, as the group may be ordered to temporarily halt production, be subject to fines and/or be ordered to undertake corrective measures.

The group cannot predict the impact of new or changed laws or regulations relating to health, safety, the environment or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of these requirements impose substantial costs or constrain the group's ability to expand or change its processes, the group's business, prospects, financial results and results of operations could suffer. Any breach of such requirements could in addition result in fines or other substantial costs and/or constraint the group's ability to operate its production plant, which could have a significant adverse effect on its business, prospects, financial results and results of operations.

The fuel cell and hydrogen industry are in its development phase and is not currently subject to industry specific government regulations in the European Union, Asia and the United States, as well as other jurisdictions, relating to matters such as design, storage, transportation and installation of fuel cell systems and hydrogen infrastructure products. However, given that the production of electrical energy has typically been an area of significant government regulation, the Company expects it will encounter industry specific government regulations in the future in the jurisdictions and markets in which it operates. For example, regulatory approvals or permits may be required for the design, installation and operation of Nel's products. To the extent there are delays in gaining such regulatory approval, Nel's development and growth may be constrained. Nel's business will suffer if environmental policies change and no longer encourage the development and growth of clean power technologies.

Nel depends substantially on government subsidies. Political developments could lead to a material deterioration of the conditions for, or a discontinuation of, the subsidies for its technology. It is also possible that government financial support for Nel's technology will be subject to judicial review and determined to be in violation of applicable constitutional or legal requirements or be significantly reduced or discontinued for other reasons. Without government subsidies, or with reduced government subsidies, the availability of profitable investment opportunities for Nel would be significantly lower, which could have a material adverse effect on Nel's business, financial condition, results of operations and cash flows.

Competition

The group competes with a large number of competitors. Many competitors are developing and are currently producing products based on technologies that may have costs similar to, or lower than, the group's projected costs. Many of the group's existing and potential competitors may have longer operating histories, greater name recognition, structurally better cost positions through geographical location or agreements with local authorities (including direct and indirect subsidies), better access to skilled personnel, better access to research and development partners, access to larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than the group. As a result, they may be able to respond more quickly than the group can to the changing customer demands or to devote greater resources to the development, promotion and sales of their products. The group's business relies on sales of its products, and competitors with more diversified product offerings may be better positioned to withstand a decline in the demand for products of the types that the group offers. It is possible that new competitors or alliances among existing competitors could emerge and rapidly acquire significant market share, which would harm the group's business. If the group fails to compete successfully, it could have a significant adverse effect on the group's business, prospects, financial results and results of operations.

Covid 19

The Covid 19 pandemic has impacted our operations. We have seen that it has impacted our ability to operate manufacturing facilities as normal and our employees' ability to travel for installation and service work. It has not been possible to measure a reliable and accurate number of the effects in 2021. There are still uncertainties related to the market recovery related to supply chain and raw material supply and prices.

6.4 Climate-related risks

Regulatory risks and Geopolitics

While climate change is the megatrend, the anticipated role of green hydrogen as a sustainable activity contributing to climate change mitigation could change. How geopolitics will impact and shape climate policies going forward constitutes a risk for Nel. We would not be significantly impacted by the introduction of a potential carbon tax or restrictions on the use of carbon-intensive assets. Further, we do not consume products from conflict areas and our consumption of rare materials is limited.

Reputation Risk

Nel recognizes the importance of maintaining a strong brand in the developing green hydrogen industry. Reputational risk comprises: i) any damage to brand value that will cause lost opportunities, ii) challenges in recruiting and retaining talent that in turn could halt technology developments and damage customer experience, and iii) challenges in attracting investors due to damaged reputation which could affect the going concern status of the group.

Physical Risk

None of our manufacturing facilities are located in environments overly exposed to physical risks. Relatedly, our facilities are not located in the areas most exposed to sustained long-term shifts in climate patterns. However, our delivered solutions require continuous access to water and electricity, a shortage of which could impact our products' performance.

6.5 Hedge accounting

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are both initially and subsequently to initial recognition measured at fair value, and changes therein are generally recognised in profit or loss.

The group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with firm commitments and highly probable forecast transactions arising from changes in foreign exchange rates. At the inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or a highly probable forecast transaction. Nel accounts for a hedge of foreign currency risk as a cash flow hedge, including also exposures to an unrecognised firm commitment. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The group designates the currency forward contracts on a 'forward basis', which includes both the spot element and the forward element. Then the full fair value of the hedging instrument is used in measuring ineffectiveness. The amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected cash flows affect profit or loss.

The Group is exposed to certain risk relating to its ongoing business operations. In 2021, foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of firm sale commitment in U.S. dollar, Swedish krona, Euro and British pound. In addition, purchase of property, plant and equipment in Euro and highly probably forecast transactions in Euro and Swedish Krona.

The foreign exchange forward contract balances vary in particular with the magnitude of firm commitment foreign currency sales and changes in foreign exchange forward rates.

As of 31 December 2021, the Group held the following instruments to hedge exposures to changes in foreign currency.

MATURITY/HEDGING INSTRUMENTS		2022-Q1	2022-Q2	2022-Q3	2022-Q4	MORE THAN ONE YEAR	TOTAL
USD	**USD** forward contracts, net	7 013	2 280	2 280	0	1 629	13 202
	Average NOK:USD forward contracts rate	9.04	9.54	9.54	0.00	9.54	9.27
	Hedged NOK, net (nominal amount)	63 392	21 752	21 748	0	15 534	122 426
	Fair value USD forward contracts	1 496	1 564	1 522	0	1 051	5 633
SEK	**SEK** forward contracts, net	-17 224	-7 108	-8 271	-3 837	0	-36 440
	Average NOK:SEK forward contracts rate	1.01	1.02	1.02	1.01	0.00	1.01
	Hedged NOK, net (nominal amount)	-17 330	-7 243	-8 427	-3 860	0	-36 860
	Fair value SEK forward contracts	-536	-296	-318	-89	0	-1 239
GBP	**GBP** forward contracts, net	981	0	773	1 160	773	3 687
	Average NOK:GBP forward contracts rate	11.81	0.00	11.65	11.69	11.73	11.72
	Hedged NOK, net (nominal amount)	11 588	0	9 008	13 554	9 068	43 217
	Fair value GBP forward contracts	-72	0	-164	-248	-163	-647
EUR	**EUR** forward contracts, net	10 030	-149	-328	840	3 017	13 411
	Average NOK:EUR forward contracts rate	10.22	12.50	12.23	10.44	10.51	10.22
	Hedged NOK, net (nominal amount)	102 476	-1 861	-4 010	8 767	31 724	137 096
	Fair value EUR forward contracts	2 195	-365	-712	245	825	2 188
TOTAL hedged NOK, net (nominal amount)		160 126	12 648	18 319	18 460	56 326	**265 878**
TOTAL fair value, NOK		3 083	902	328	-91	1 713	**5 935**

The effects that hedge accounting has had on the statement of financial position, statement of profit or loss and OCI and statement of changes in equity

Hedging instruments are measured at fair value and recognised in the statement of financial position as either an asset or a liability depending on the whether the instrument has a positive or negative value. The fair values recognised represents unrealised gains/losses driven by the changes in foreign exchange rates.

Statement of financial position

The table below show the fair value of forward exchange contracts designated as hedging instruments in the statement of financial position.

(Amounts in NOK thousands)

TYPE OF HEDGE ITEMS	CURRENT ASSETS	NON-CURRENT ASSETS	OTHER CURRENT LIABILITES	NON-CURRENT LIABILITIES	TOTAL
Revenue	10 473	8 100	-947	0	17 626
Raw materials	59	82	-377	-595	-832
Property, plant and equipment	0	-	-2 283	-241	-2 524
As of 31.12.2020	10 532	8 181	-3 608	-836	14 270
Revenue	7 989	1 877	-1 400	-163	8 302
Raw materials	187	0	-2 288	0	-2 101
Property plant and equipment	0	0	-439	0	-439
As of 31.12.2021	8 176	1 877	-4 127	-163	5 762

Profit or loss and OCI

The table below includes the reconciliation of movements in hedging reserve, cash flow hedges, in OCI during the year.

(Amounts in NOK thousands)

	REVENUE	RAW MATERIALS	FINANCE COSTS	PROPERTY, PLANT AND EQUIPMENT	TOTAL
As of 01.01.2020	-786	0	0	0	-786
Effective portion of changes in fair value	14 340	-832	3 314	-2 772	14 050
Reclassified to profit or loss	1 463	0	-3 314	0	-1 851
Reclassified to statement of financial positions (basis adjustment)	-217	0	0	248	31
As of 01.01.2021	14 800	-832	0	-2 524	11 444
Effective portion of changes in fair value	2 989	-2 332	-1 481	-2 263	-3 086
Reclassified to profit or loss	-4 663	0	1 481	0	-3 182
Reclassified to statement of financial positions (basis adjustment)	-5 473	1 063	0	4 348	-62
As of 31.12.2021	7 654	-2 101	0	-439	5 114

During the year, a hedging gain of NOK 4.7 (1.5) million has been realised and reclassified to profit or loss within 'Revenue from contracts with customers'.

The timeline below illustrates when the unrealised changes in fair value of the foreign currency forward contracts may be reclassified to profit or loss and statement of financial position.

(Amounts in NOK thousands)

	2021	2022	2023	2024	TOTAL
Revenue	0	6 700	6 585	1 515	14 800
Raw materials	0	-318	-514	0	-832
Property, plant and equipment	0	-2 283	-241	0	-2 524
As of 31.12.2020					11 444
Revenue		5 940	1 713	0	7 654
Raw materials		-2 101	0	0	-2 101
Property plant and equipment		-439	0	0	-439
As of 31.12.2021					5 114

Economic relationship and effectiveness

The hedged item creates an exposure to buy a foreign currency and sell the functional currency. The forward contract is to sell foreign currency and buy the functional currency. As the hedged exposure is exactly matched by the currency leg of the forward contract (i.e. they are the same amount of currency with the same payment date), there is a clear economic relationship between the hedging instrument and the hedged item. Hedging less than 100 % is considered when natural hedge positions could occur during the hedging period, or to limit the risk of over-hedging given the inherent uncertainties in any estimated cash flow.

If there's no change in the hedge item cash magnitude (e.g. contract termination or amendment) the hedge would be effective as long as the timing of the hedge instrument and hedge item are aligned. No ineffectiveness has been recognised in the income statement in 2021 or 2020.

The Group does not have any fair value hedge or net investment hedge.

6.6 Financial instruments

Nel uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques which maximise the use of observable market price and rely as little as possible on entity-specific estimates.

Level 3: Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments and fair values

2021

	CARRYING AMOUNT				FAIR VALUE			
	FAIR VALUE - HEDGING INSTRUMENTS	MANDATORILY AT FVTPL - OTHERS	FINANCIAL ASSETS AND LIABILTIES AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets								
Financial assets measured at fair value								
Forward exchange contracts used for hedging	10 053			10 053		10 053		10 053
Financial asset - equity instruments		600 092		600 092	568 191		31 902	600 092
SUM	10 053	600 092		610 145	568 191	10 053	31 902	610 145
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	-4 290			-4 290		-4 290		-4 290
SUM	-4 290			-4 290		-4 290		-4 290
Financial liabilities not measured at fair value								
Long-term debt			23 191	23 191		23 191		23 191
SUM			23 191	23 191		23 191		23 191

2020

	CARRYING AMOUNT				FAIR VALUE			
	FAIR VALUE - HEDGING INSTRUMENTS	MANDATORILY AT FVTPL - OTHERS	FINANCIAL ASSETS AND LIABILTIES AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets								
Financial assets measured at fair value								
Forward exchange contracts used for hedging	18 714			18 714		18 714		18 714
Financial asset - equity instruments		1 706 390		1 706 390	1 686 405		19 984	1 706 390
SUM	18 714	1 706 390		1 725 103	1 686 405	18 714	19 984	1 725 103
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	4 444			4 444		4 444		4 444
SUM	4 444			4 444		4 444		4 444
Financial liabilities not measured at fair value								
Long-term debt			30 284	30 284		30 284		30 284
SUM	-	-	30 284	30 284		30 284		30 284

The management assessed that cash and short-term deposits, trade receivables, other current assets, trade payables and other current liabilities' carrying amounts are a reasonable approximation of their fair value largely due to the short-term maturities of these instruments.

Nel enters into forward exchange contracts with financial institutions, where the fair value of such instruments is based on valuation techniques including market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using net present value calculations. The models used incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The valuation is performed by banks or external valuation providers.

For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss for the period has been 31.9 (20.0) million.

6.7 Contractual commitments and commitments for future investments

Nel is committed to future investments in Hydrogen Energy Network (HyNet) of approximately NOK 5.6 million. These commitments are expected to be cash-settled during 2022.

7.1 Composition of the group

The following subsidiaries are included in the consolidated financial statements:

COMPANY	LOCATION	MAIN OPERATIONS	CONSOLIDATED FROM:	OWNERSHIP/ VOTES 2021	OWNERSHIP/ VOTES 2020
Nel Hydrogen Electrolyser AS	Notodden, Norway	Alkaline electrolysers	01.10.2015	100 %	100 %
Nel Hydrogen A/S	Herning, Denmark	Hydrogen fueling stations	01.07.2015	100 %	100 %
Nel Fuel AS	Oslo, Norway	Investment/holding	01.07.2015	100 %	100 %
Proton Energy Systems Inc	Wallingford, Connecticut, USA	PEM electrolysers	01.07.2017	100 %	100 %
Nel Korea Co. Ltd	Seoul, South Korea	Service of H2Station®	01.07.2018	100 %	100 %
Nel Hydrogen Inc	San Leandro, California USA	Service of H2Station®	01.01.2019	100 %	100 %
Nel Hydrogen Electro-lyser Belgium BV	Brussels, Belgium	Electrolyser sales office	27.09.2021	100 %	100 %

All subsidiaries are 100 % owned. There is no uncertainty about control and no restrictions on the ability to access or use assets and settle liabilities in the group.

7.2 Executive management remuneration

Nel Executive Management Compensation and number of shares owned

2021

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT 2021	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION[1]	TOTAL REMUNERATION	NUMBER OF SHARES
Jon André Løkke, CEO [2]	3 015	753	181	0	3 949	2 000 000
Kjell Christian Bjørnsen, CFO	2 579	0	181	0	2 760	0
Anders Søreng, CTO	2 226	0	181	596	3 003	200 000
Jørn Rosenlund, CSO	2 730	0	198	607	3 535	250 000
Robert Borin, SVP Nel Hydrogen Fueling	2 214	0	176	0	2 391	0
Filip Smeets, SVP Nel Hydrogen Electrolyser	2 462	0	0	0	2 462	0
Hans Hide, SVP Projects	1 906	0	181	581	2 668	20 000
Stein Ove Erdal, Vice President Legal and General Counsel	2 070	0	181	581	2 832	0
Caroline Duyckaerts, Chief Human Resources Officer	1 632	0	181	0	1 813	0
TOTAL	20 834	753	1 462	2 365	25 413	2 470 000

[1] Other remuneration is mainly related to share option program
[2] Jon André Løkke has a six months notice period, plus is entitled to six months severence pay.

2020

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT 2020	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION[1]	TOTAL REMUNERATION	NUMBER OF SHARES
Jon André Løkke, CEO [2]	2 737	841	178	52 296	56 052	2 000 000
Kjell Christian Bjørnsen, CFO [3]	2 090	0	178	0	2 268	0
Anders Søreng, CTO	3 487	0	0	2 434	5 921	331 899
Jørn Rosenlund, SVP Nel Hydrogen Fueling	2 194	0	175	1 311	3 680	300 000
Filip Smeets, SVP Nel Hydrogen Electrolyser [4]	1 844	0	73	458	2 375	0
Hans Hide, SVP Projects	1 796	0	178	0	1 974	0
Stein Ove Erdal, Vice President Legal and General Counsel	1 722	0	178	0	1 901	0
Caroline Duyckaerts, Chief Human Resources Officer [5]	0	0	0	0	0	0
TOTAL	15 870	841	962	56 499	74 171	2 631 899

[1] Other remuneration is mainly related to share option program
[2] Jon André Løkke has a six months' notice period, plus is entitled to six months severance pay.
[3] Employed in Nel from March 2020
[4] Employed in Nel from April 2020
[5] Employed in Nel from January 2021

The Board of Directors determines the remuneration of the CEO based on a proposal from the Remuneration Committee and approves the general terms of the company's incentive plans for Executive Management and other key employees. The CEO determines the compensation to the other members of Nel's Executive Management.

Nel's approach is to provide the CEO and other members of Nel's executive Management as well as employees with a market competitive offer for our renewable industry. The compensation should be:

- attractive to recruit and retain executives and other talents to Nel;
- market competitive in the respective locations but not market leading, fitting for our renewable industry;
- Support the creation of sustainable value to Nel's shareholders

Total compensation for each member of Executive Management is compared to the relevant market on a regular basis. Nel's remuneration of the Executive Management includes the Base Salary, Bonus, Share Option Program, Pension (defined contribution plans) and other compensation elements such as car, cell phone and internet connection.

7.3 External audit remuneration

FEES TO THE GROUP AUDITOR	2021	2020
Statutory auditing services	2 834	2 336
Attestation services	285	261
Non-auditing services	428	930
TOTAL	3 547	3 528

In addition to the fees included in the remuneration table above, the group incurred NOK 1.4 (1.3) million in 2021 of attestation services and non-auditing services provided by company other than EY, the group auditor.

FEES TO OTHER AUDITORS ELECTED BY SUBSIDIARIES	2021	2020
Statutory auditing services	0	0
Attestation services	882	746
Non-auditing services	503	510
TOTAL	1 385	1 256

7.4 Related parties

Executive management

Information on key management compensation is disclosed in note '7.2 executive management remuneration'.

Associated and joint ventures

Nel's significant transactions with associated companies and joint ventures are described in note 3.4 Investments in associated companies and joint ventures.

Transactions with related parties are at arm's length principles.

Board of Directors

Members of Nel's Board of Directors' remuneration and share ownership are disclosed in the tables below.

2021

BOARD OF DIRECTORS 2021	REMUNERATION	NUMBER OF SHARES	OWNERSHIP
Ole Enger - Chair of the Board	589	149 462	0.01 %
Tom Røtjer	319	0	0.00 %
Beatriz Malo de Molina	319	0	0.00 %
Charlotta Falvin	319	0	0.00 %
Finn Jebsen [1)]	319	310 620	0.02 %
Hanne Blume	319	0	0.00 %
TOTAL	2 186	460 082	0.03 %

[1)] Consisting of shares held through Fateburet AS

AUDIT COMMITTEE 2021	REMUNERATION
Finn Jebsen - chair of the audit committee	85
Beatriz Malo de Molina	50
TOTAL	135

2020

BOARD OF DIRECTORS 2020	REMUNERATION	NUMBER OF SHARES	OWNERSHIP
Ole Enger - Chair of the Board	563	149 462	0.01 %
Tom Røtjer	306	0	0.00 %
Beatriz Malo de Molina	306	0	0.00 %
Charlotta Falvin	306	0	0.00 %
Finn Jebsen [1)]	306	310 620	0.02 %
Hanne Blume	306	0	0.00 %
TOTAL	2 094	460 082	0.03 %

[1)] Consisting of shares held through Fateburet AS

AUDIT COMMITTEE 2020	REMUNERATION
Finn Jebsen - chair of the audit committee	75
Beatriz Malo de Molina	40
TOTAL	115

7.5 Events after the balance sheet date

Information about the group's financial position that has occurred after the balance sheet date is disclosed if the information is considered to be significant for the group's current financial statements and future position. On 21 January 2022, Hyon AS, completed a private placement at a price of NOK 2.34 per share and subsequently a successful admission to Euronext Growth Oslo. The private placement values the company, based on the shares outstanding following the private placement and the offer price, at approximately NOK 130 million. Nel ASA owns 9 080 000 shares, or 17.64%, of the company. Hyon AS had its first day of trading on Euronext Growth Oslo 14 February 2022. The war in Ukraine impacts commodity prices relevant to Nel. The financial impact is uncertain. Nel's operational activities in Russia and Ukraine are limited.

Other than Hyon AS' admission to Euronext Growth Oslo, there have been no significant changes in the financial position of the Group since the date of the interim financial statements for twelve months ended 31 December 2021.

7.6 Going concern

The financial statement is presented on the going concern assumption under International Financial Reporting Standards. As per the date of this report the group has sufficient working capital for its planned business activities over the next twelve-month period.

The Board of Directors confirmed on this basis that the going concern assumption is valid, and that financial statements are prepared in accordance with this assumption.


FORBUDT Å OPPHOLDE SEG
INNENFOR MASKINENS
ARBEIDSOMRÅDE

7 Parent company financial statements

Statement of comprehensive income

(Amounts in NOK thousands)

	NOTE	Nel ASA 2021	2020
Revenue from contracts with customers	3	75 613	43 500
Other operating income		36	45
Total revenue and operating income		75 649	43 545
Personnel expenses	4	52 032	33 553
Depreciation and amortisation	7	2 645	1 113
Other operating expenses	5	42 050	20 806
Total operating expenses		96 728	55 472
Operating loss		-21 079	-11 927
Finance income	15	46 853	175 549
Finance costs	15	-50 195	-6 916
Share of loss from associate and joint venture	11	-35	-300
Net financial items		-3 377	168 333
Pre-tax income (loss)		-24 456	156 406
Tax expense	6	0	0
Net income (loss) attributable to equity holders of the company		-24 456	156 406
Other comprehensive income		0	0
Comprehensive income (loss) attributable to equity holders of the company		-24 456	156 406
Appropriation of comprehensive income (loss) and equity transfers			
Dividends proposed		0	0
Retained earnings		-24 456	156 406
Total appropriation		-24 456	156 406

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
ASSETS	NOTE	2021	2020
NON-CURRENT ASSETS			
Property, plant and equipment	7	9 799	1 557
Investments in subsidiaries	11	2 784 947	1 847 776
Investments in associates and joint ventures	11	572	0
Non-current financial assets	10, 16	13 118	35 111
Long-term receivables group	13	463 095	416 425
Total non-current assets		3 271 530	2 300 869
CURRENT ASSETS			
Trade receivables		82	0
Other current assets	10, 12, 16	108 779	169 415
Cash and cash equivalents	8	2 540 734	2 219 029
Receivables group	13	96 617	82 985
Total current assets		2 746 212	2 471 429
TOTAL ASSETS		6 017 742	4 772 298

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
EQUITY AND LIABILITIES	NOTE	2021	2020
EQUITY			
Share capital	9	292 160	281 560
Treasury shares	9	-79	-79
Share premium	9	5 596 246	4 367 305
Other capital reserves	9	53 420	43 934
Retained earnings	9	20 405	44 861
Other components of equity	9	0	0
Total equity		5 962 150	4 737 580
NON-CURRENT LIABILITIES			
Long-term debt group	13	1 555	0
Other non-current liabilities	10	7 147	836
Total non-current liabilites		8 702	836
CURRENT LIABILITIES			
Trade payables		10 047	1 836
Provisions		445	661
Short-term liabilities group	13	17 792	18 714
Other non-current liabilities	10, 14, 16	18 605	12 670
Total current liabilities		46 889	33 881
Total liabilities		55 591	34 717
TOTAL EQUITY AND LIABILITIES		6 017 742	4 772 297

OSLO, 22 MARCH 2022

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)		

Statement of cash flows

(Amounts in NOK thousands)

		Nel ASA	
	NOTE	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		-24 456	156 406
Adjustments for interest expense	15	543	141
Adjustments interests received	13, 15	-27 118	-25 972
Share of loss from associate and joint venture	11	35	300
Equity-settled share-based compensation expense	4	1 776	898
Depreciation	7	2 645	1 113
Change in fair value equity instruments	15	47 757	-100 176
Change in provisions		-216	-5 027
Change in account receivables, group receivables		-13 714	-84 466
Change in trade payable and group payables		7 290	18 087
Changes in other current assets and other liabilities		-65 671	-28 012
Net cash flow from operating activities		-71 127	-66 706
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	-499	-68
Loan given to subsidiaries	13	-871 099	-507 364
Investments in associates and joint ventures	11	-1 272	-300
Investments in other financial assets	10	-10 572	0
Proceeds from sales of other investments	10	39 509	0
Net cash flow from investing activities		-843 932	-507 732
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid	15	-543	-141
Gross cash flow from share issues	9	1 255 103	2 383 259
Transaction costs related to capital increases	9	-15 562	-68 297
Payment of lease liabilities	14	-2 233	-920
Net cash flow from financing activities		1 236 765	2 313 900
Net change in cash and cash equivalents		321 706	1 739 462
Cash balance as of 01.01	8	2 219 029	479 567
Cash balance as of 31.12	8	2 540 734	2 219 029

Statement of changes in equity

(Amounts in NOK thousands)

Nel ASA

	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	TREASURY SHARES	RETAINED EARNINGS	TOTAL EQUITY
Equity as of 31.12.2019	244 420	2 089 418	36 253	-14	-111 546	2 258 532
Increase of capital 2020	37 139	2 277 822				2 314 961
Options and share program		65	7 681	-65		7 681
Total comprehensive income					156 406	156 406
Equity as of 31.12.2020	281 559	4 367 305	43 934	-79	44 860	4 737 580
Equity as of 31.12.2019	244 420	2 089 418	36 253	-14	-111 546	2 258 532
Increase of capital 2021	10 600	1 228 940				1 239 541
Options and share program			9 486			9 486
Total comprehensive income					-24 456	-24 456
Equity as of 31.12.2021	292 160	5 596 246	53 420	-79	20 404	5 962 150

7.1 Notes to the financial statements parent company

Note 1 Company information

Nel ASA (Nel) is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. Nel ASA is the parent company in a group that serves industry, energy and gas companies with leading hydrogen technology. Since its origins in 1927 as part of Norsk Hydro, Nel has a proud history of development and continuous improvement of hydrogen plants. Our hydrogen solutions cover the value chain from hydrogen production technologies to manufacturing of hydrogen fueling stations, providing all fuel cell electric vehicles (FCEVs) with the same fast fueling and long range as conventional vehicles today.

The group has two divisions: Nel Hydrogen Electrolyser and Nel Hydrogen Fueling.

Nel ASA (org. no 979 938 799) was formed in 1998 and is a Norwegian public limited company listed on the Oslo Stock Exchange. The company's head office is in Karenslyst allé 49, N-0279 Oslo, Norway. The parent company financial statements were approved by the Board of Directors on 22 March 2022.

Note 2 Basis for preparation and significant accounting principles

Statement of compliance

The financial statements for Nel ASA have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act.

Basis for preparation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value.

Accounting estimates and judgements

In preparing the financial statements, assumptions and estimates that have had effect on the amounts and presentation of assets and liabilities, income and expenses and contingent liabilities must be made. Actual results could differ from these assumptions and estimates.

Foreign currency translation

The functional currency and presentation currency of the company is Norwegian kroner (NOK). Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical cost expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date.

Changes in accounting policies

A few amendments to IFRS have been implemented for the first time in 2021. The amendments did not have any material impact for the parent company. In addition, several amendments to IFRS are issued up to the date of issuance of these financial statements but are not yet effective. The company has not applied the new IFRSs and the impact of applying the amendments is not expected to have a material impact on the Company's financial statements.

Definition and applying of materiality judgements in preparation of these financial statements

The financial statements aim to provide useful financial information which increase the understandability of Nel and its performance. To meet the information needs of its primary users, Nel apply materiality judgments which are necessary to meet this objective, and Nel has made such judgments related to recognition, measurement, presentation and disclosures. Within these financial statements information is considered material if omitting, misstating or obscuring it could reasonably be expected to influence decisions taken by primary users based on the information provided. In practice this will lead to Nel omitting certain information if it is assessed it will obscure the material information. The materiality judgments are reassessed at each reporting date and updated based on changed facts and Nel specific circumstances.

Segment information

Nel ASA operates with only one operating segment, providing management services to subsidiaries. A separate disclosure for segment information is therefore not applicable.

Significant accounting judgements and estimation uncertainty

The preparation of financial statements requires management to make judgements and estimates that influence amounts recognised in certain accounts for assets, liabilities, income and expenses. The actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous assessment.

Revenue from contracts with customers

In general, revenue comprise sale of intercompany services. These are recognized when the services are delivered based on intragroup allocation of costs.

Personnel expenses

Wages, salaries, bonuses, pension and social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. The company has pension plans for employees that are classified as defined contribution plans. Contributions to defined contribution schemes are recognised in the statement of comprehensive income in the period in which the contribution amounts are earned by the employees.

The company has an equity-settled share option program for all employees. The Company uses the Black-Scholes-Merton option pricing model at time of grant to determine the impact of stock option grants in accordance with IFRS 2 - Share-based payment. Refer to group financial statements note 2.5 for further accounting policies, including assumptions and social security provisions.

For further information refer note 4 – Personnel expenses.

Financial instruments and fair value

Nel uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques which maximise the use of observable market price and rely as little as possible on entity-specific estimates.

Level 3: Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Company has assessed that cash and short-term deposits, trade receivables, other current assets, trade payables and other current liabilities' carrying amounts is a reasonable approximation of their fair value largely due to the short-term maturities of these instruments.

The Company enters into forward exchange contracts with financial institutions, where the fair value of such instruments is based on valuation techniques including market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using net present value calculations. The models used incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The valuation is performed by banks or external valuation providers.

Interest income and expenses

Interest income and expenses are recognised in the statement of comprehensive income within 'finance income' and 'finance cost' as they are accrued, based on the effective interest method.

Income tax expense

Income tax expense in the statement of comprehensive income for the year comprises current tax and changes in deferred tax. Income tax expense is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Uncertain tax positions and potential tax exposures are analysed individually and the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amounts for assets to be received (disputed tax positions for which payment has already been made) in each case are recognised within current tax or deferred tax as appropriate.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. For a deferred tax asset to be recognised based on future taxable profits, convincing evidence is required.

Subsidiaries

Subsidiaries are all entities controlled by Nel ASA. Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Shares in subsidiaries are presented according to the cost method. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. Indications may be operating losses or adverse market conditions. Fair value of the investment is estimated based on valuation model techniques. If it is considered probable that the fair value is below Nel's carrying value, the investment is impaired. The impairment is reversed if the impairment situation is no longer present.

Investment in associated companies and joint ventures

The company's investments in its associates and joint ventures are accounted for using the equity method. An associate is an entity where the company has significant influence. A joint venture is an entity where the company has joint control contractually together with one or several other parties.

Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

Events after the reporting period

New information of the company's financial position on the end of the reporting period which becomes known after the reporting period, is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period, but which will affect the company's financial position in the future are disclosed, if significant.

Statement of cash flow

The cash flow statement is prepared using the indirect method.

Note 3 Revenue from contracts with customers

(Amounts in NOK thousands)

REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	2021	2020
Norway	16 166	6 290
United States	32 327	19 011
Denmark	22 653	16 249
South Korea	4 466	1 950
Total	75 613	43 500

All revenues in 2020 and 2021 are internal revenue from management services. Revenues are recognised over time based on cost-to-cost input method. Billings occur at the end of each year for all cumulative costs incurred plus recognised profit, thus, there are no contract balances at year end. Both contract assets and the billings are recognised as current assets within 'Receivables Group' in the statement of financial position and is an unconditional right to payment.

CONTRACT ASSETS	2021	2020
Balance as of 01.01.	43 500	37 103
Transfers from contract assets recognised at the beginning of the period to receivables	-43 500	-37 103
Increases due to measure of progress in the period	0	43 500
Revaluation	0	0
Balance as of 31.12.	0	43 500

Note 4 Personnel expenses

(Amounts in NOK thousands)

SALARIES AND PERSONNEL EXPENSES	2021	2020
Salaries	36 928	21 074
Social security tax*	7 729	4 858
Pension expense	3 442	2 048
Other payroll expenses**	3 933	5 573
Total	52 032	33 553

* Social security tax includes provisions for social security related to the share option program.
** Included in this amount are expenses amounting to NOK 1.8 (0.9) million related to the share option program.

The company has a share option program for all employees. For information of the company's share option program refer to group accounts disclosure 2.5

Average number of FTEs	23	13

Pension

The company has a defined contribution pension plan for its employees that meet the requirements of the Pension Acts of Norway.

REMUNERATION OF MANAGEMENT 2021	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION [1]	TOTAL REMUNERATION
Jon André Løkke, CEO [2]	3 015	753	181	0	3 949
Kjell Christian Bjørnsen, CFO	2 579	0	181	0	2 760
Anders Søreng, CTO	2 226	0	181	596	3 003
Hans Hide, SVP Projects	1 906	0	181	581	2 668
Stein Ove Erdal, Vice President Legal and General Counsel	2 070	0	181	581	2 832
Caroline Duyckaerts, Chief Human Resources Officer	1 632	0	181	0	1 813
Total	13 428	753	1 087	1 758	17 026

[1] Other remuneration is mainly related to share options
[2] Jon André Løkke has a six months notice period, plus is entitled to six months severence pay.

REMUNERATION OF MANAGEMENT 2020	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION [1]	TOTAL REMUNERATION
Jon André Løkke, CEO [2]	2 737	841	178	52 296	56 052
Kjell Christian Bjørnsen, CFO [3]	2 090	0	178	0	2 268
Hans Hide, SVP Projects	1 796	0	178	0	1 974
Stein Ove Erdal, Vice President Legal and General Counsel	1 722	0	178	0	1 901
Total	8 345	841	714	52 296	62 195

[1] Other remuneration is mainly related to exercised matching shares
[2] Jon André Løkke has a six months notice period, plus is entitled to six months severence pay.
[3] Employed in Nel from March 2020
[4] Employed in Nel from January 2021

To incentivize and retain key employees, Nel currently has a share-based incentive plans, a share option program. The share option program includes all employees in the Company. All options have only service-time based vesting conditions. Vesting requires the option holder still to be an employee in the Company. The share-based payment is equity-settled. Each option, when exercised, will give the right to acquire one share in the Company. The options are granted without consideration.

Options granted July 2019:

A total of 2.1 million share options were granted. Pursuant to the vesting schedule, 40% of the options will vest two years after the day of grant, and 60% of the options will vest three years after the day of grant. The exercise price is equal NOK 7.8 per share based on the average price of the Nel ASA share price the five trading days before grant date (NOK 7.22) and including an 8% premium. Gain per instrument is capped at NOK 5.00 maximum per share option. The options that have not been exercised will lapse 4 years after the date of grant.

Options granted July 2020:

A total of 2.2 million share options were granted. Pursuant to the vesting schedule, 40% of the options will vest two years after the day of grant, and 60% of the options will vest three years after the day of grant. The exercise price is equal NOK 21.72 per share based on the average price of the Nel ASA share price the five trading days before grant date (NOK 20.11) and including an 8% premium. Gain per instrument is capped at NOK 5.00 maximum per share option. The options that have not been exercised will lapse 4 years after the date of grant.

Options granted July 2021:

A total of 1.3 million share options were granted. Pursuant to the vesting schedule, 40% of the options will vest two years after the day of grant, and 60% of the options will vest three years after the day of grant. The exercise price is equal NOK 15.125 per share based on the average price of the Nel ASA share price the five trading days before grant date (NOK 14.00) and including an 8% premium. Gain per instrument is capped at NOK 10.00 maximum per share option. The options that have not been exercised will lapse 4 years after the date of grant.

SHARE OPTION PROGRAM	OPENING BALANCE	GRANTED	EXERCISED	FORFEITED	CLOSING BALANCE	STRIKE PRICE	VALUE [1]	REMAINING CONTRACTUAL LIFE
July 2019 [2]	2 070	0	-592	-590	888	7.80	5.00	1.51
July 2020 [2]	2 191	0	0	-326	1 865	21.72	0	2.51
July 2021 [2]	0	1 348	0	0	1 348	12.10	0	3.51
Total	4 261	1 348	-592	-916	4 101			

NAME	2022	2023	2024	TOTAL	2023	2024	2025	EXPENSE FOR THE PERIOD [3]
Kjell Christian Bjørnsen	128	254	93	476	0	321	155	197
Anders Søreng	309	248	93	650	185	310	155	313
Hans Hide	306	254	96	656	180	316	160	308
Stein Ove Erdal	320	274	96	690	180	350	160	326
Caroline Duyckaerts	0	62	93	155	0	0	155	39
Other employees	635	501	340	1 475	343	618	514	7 791
Total	1 698	1 593	732	4 101	888	1 915	1 299	8 975

[1] The value of the share options equals share price less strike price, capped at NOK 5.0 for 2019 and 2020 program, and NOK 10.0 for 2021 program.
[2] All share options are granted, vested and expired at the beginning of July in a given fiscal year, expect for share option program 2021 which is August.
[3] Cost of period does not include social security

Note 5 Other operating expenses

SPECIFICATION OF OTHER OPERATING EXPENSES:	2021	2020
Hardware and common cost office premises	2 474	531
Administrative costs	12 690	9 164
Professional fees	26 109	10 250
Travel expenses	777	861
Total	42 050	20 806

Auditor fees

FEES TO THE AUDITOR	2021	2020
Statutory auditing services	1 587	1 544
Attestation services	175	150
Non-auditing services	327	283
Total	2 089	1 976

Amounts are exclusive VAT.

Note 6 Income taxes

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2021	2020
Income (loss) before tax	-24 456	156 406
Permanent differences	35 847	-202 847
Change in temporary differences	940	-6 855
Use of tax losses carried forward	-12 331	0
The year's taxable income	0	-53 296
Tax rate	22 %	22 %
Income (loss) before tax	-24 456	156 406
Tax this years loss, estimated	-5 380	34 409
Tax effect of:		
Permanent differences	7 886	-44 626
Change in temporary differences	-10 507	22 039
Prior years adjustment	419	0
Change in not recognised deferred tax assets (tax liabilities)	7 581	-11 822
Total income tax expense (income)	0	0
Income tax expense (income) comprises		
Income tax payable	0	0
Change in deferred tax	0	0
Total income tax expense (income)	0	0

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2021	2020
Specification of temporary differences:		
Property, plant and equipment and goodwill	-353	-381
Leases	-143	-54
Provisions for liabilities	-2 354	-1 474
Shares and other investments	54 189	101 947
Tax losses carry forward	-523 707	-537 945
Basis for deferred tax asset	-472 368	-437 908
Nominal tax rates for next year	22 %	22 %
Deferred tax asset	-103 921	-96 340
Deferred tax asset not recognised in Statement of financial position	-103 921	-96 340
Deferred tax asset in the Statement of financial position	0	0

The majority of the deferred tax asset is related to loss carry forward. As of 31 December 2021 it is considered not likely that the tax loss carry forward will be utilised in the near future, therefore the deferred tax assets is not capitalised.

Note 7 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT COMPRISE OWNED AND LEASED ASSETS	OFFICE MACHINES AND OTHER EQUIPMENT	TECHNICAL INSTALLATIONS	RIGHT-OF-USE ASSETS	TOTAL
Carrying amount as of 31.12.2020	737	87	732	1 557
Carrying amount as of 31.12.2021	915	85	8 799	9 799
Useful life	3 years	5 years	5 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	

Note 8 Cash and cash equivalents

	2021	2020
Cash and cash equivalents	2 538 485	2 217 112
Restricted cash (witheld employee taxes)	2 249	1 917
Total	2 540 734	2 219 029

Cash and cash equivalents are 99.5% in the Norwegian Krone (NOK) at the end of 2021. Approximately NOK 2.4 billion is placed in 30-days locked interest accounts in several different banks

Note 9 Share capital and shareholders

For information of shareholders as of 31 December 2021, shares hold by exectutive management and the board of directors please refer to Note 7.2 and 7.4, respectively, in the consolidated financial statements. For information of top 20 shareholders in Nel ASA refer to note 5.1 in the consolidated financial statements.

Note 10 Specification of balance sheet items

SPECIFICATION OF OTHER CURRENT ASSETS:	2021	2020
Fair value shareholding Nikola Corporation	96 320	144 077
Other short-term investments	332	13 335
VAT net receivable	0	1 056
Prepayments	3 762	318
Fair value of currency contracts	8 349	10 587
Other current receivables	16	42
Total	108 779	169 415

SPECIFICATION OF NON-CURRENT FINANCIAL ASSETS:	2021	2020
Other non-current investments	11 242	26 418
Receivables from joint ventures	0	512
Fair value of currency contracts	1 877	8 181
Total	13 118	35 111

SPECIFICATION OF OTHER CURRENT LIABILITIES:	2021	2020
Vacation allowance and other salary related accruals	8 082	4 806
VAT net payables	1 083	0
Fair value of currency contracts	4 127	3 608
Lease liabilities	1 958	786
Other current liabilities	3 355	3 470
Total	18 605	12 670

SPECIFICATION OF OTHER NON-CURRENT LIABILITIES:	2021	2020
Fair value of currency contracts	163	836
Lease liabilities	6 983	0
Total	7 147	836

Note 11 Subsidiaries, associates and joint ventures

COMPANY	OWNER-SHIP	REGIS-TERED OFFICE	FUNCTIONAL CURRENCY	TOTAL EQUITY IN 2021 (FUNCTIONAL CURRENCY THOUSANDS)	NET INCOME(LOSS) 2021 (FUNCTIONAL CURRENCY THOUSANDS)	CARRYING VALUE 2021 (NOK THOUSANDS)	CARRYING VALUE 2020 (NOK THOUSANDS)
Nel Hydrogen Electrolyser AS	100 %	Norway	NOK	305 038	-194 605	799 334	347 944
Proton Energy Systems Inc	100 %	USA	USD	18 444	-13 685	895 509	714 973
Nel Hydrogen A/S	100 %	Denmark	DKK	146 005	-129 346	995 953	733 077
Nel Hydrogen Inc	100 %	USA	USD	-5 082	-4 484	43 249	881
Nel Korea Co. Ltd	100 %	South Korea	KRW	-6 728 532	-4 137 423	13 846	13 846
Nel Fuel AS	100 %	Norway	NOK	1 556 707	-1 064 812	37 055	37 055
Total						2 784 946	1 847 776

The increase in book value of shares in subsidiaries are mainly debt coversions. Refer note 12 for additional information of debt conversions. In addition, there is an increase in book value from the established group share option program.

The Covid 19 pandemic has impacted the subsidiaries operations. We have seen that it has impacted the ability to operate manufacturing facilities as normal and the employees' ability to travel for installation and service work. There is uncertainty related to the magnitude of negative impact on revenues and gross margins in the subsidiaries.

				ACQUISITION COST (NOK THOUSANDS)		CARRYING VALUE (NOK THOUSANDS)	
	OWNERSHIP	COUNTRY	TYPE OF INVESTMENT	2021	2020	2021	2020
Hyon AS	28,67 %	Norway	Associate	572	0	572	0
Total				572	0	572	0

As of 31.12.2020 Nel ASA owned 33.33% of Hyon AS as a joint venture. In 2021, Nel sold its entire opening balance shareholding in Hyon AS and subsequently purchased a new shareholding during the year. As of 31.12.2021, Nel ASA owns 28.67% of Hyon as an associate. The amounts listed in table above is the aquisition cost for the shares purchased in 2021. The shareholdings in 2020 have been realised. Share of loss from Hyon AS is NOK 0.04 (0.30) million in 2021 recognised within 'share of loss from associate and joint venture.

Note 12 Other investments

The fair value of Nel's shareholding in Nikola Corporation per 31. December 2021 is based on quoted prices in an active market (level 1 in fair value hierarchy) after the listing of Nikola on Nasdaq on June 4, 2020. The fair value of shareholding in Nikola Corporation per 31 December 2021 shareholding is 96.3 (144.1) million recognised within 'other current assets. The shares were subject to a lock-up period from the IPO. This lock-up period has expired. Changes in fair value recognised in profit or loss within 'finance income' is -47.8 (100.2) million in 2021.

Note 13 Transactions with related parties

LONG TERM INTEREST BEARING RECEIVABLES GROUP	2020	LOAN ISSUE	DEBT CONVERSION	ACCRUED INTER-ESTS 2021	FX TRANSLATION EFFECTS	2021
Nel Hydrogen Electrolyser AS	193 793	367 933	-450 000	9 150	0	120 876
Proton Energy Systems Inc	59 581	196 481	-178 060	5 030	7 565	90 598
Nel Hydrogen A/S	26 135	268 208	-259 540	5 865	-3 280	37 388
Nel Hydrogen Inc	62 195	60 324	-41 862	3 050	1 354	85 062
Nel Korea Co. Ltd	63 935	53 220	0	3 633	-4 346	116 443
Nel Fuel AS	10 785	0	0	110	0	10 895
Total	416 425	946 166	-929 462	26 839	1 293	461 261

In the course of the ordinary business, intercompany financing is provided from Nel ASA to its subsidiaries. Long-term financing is interest bearing and priced at arm's length terms using a NIBOR 3 month interest rate + 3%-point margin.

FINANCIAL GUARANTEES	LONG-TERM RECEIVABLE 2021	FINANCIAL LIABILITY 2021
Nel Hydrogen Electrolyser AS	772	717
Proton Energy Systems Inc	1 062	838
Total	1 834	1 555

CURRENT ASSETS	2021	2020
Nel Hydrogen Electrolyser AS	29 264	18 124
Proton Energy Systems Inc	31 340	28 348
Nel Hydrogen A/S	26 517	29 529
Nel Hydrogen Inc	4 904	4 747
Nel Korea Co. Ltd	4 591	2 237
Total	96 617	82 985

CURRENT LIABILITIES	2021	2020
Nel Hydrogen Electrolyser AS	12 905	16 675
Proton Energy Systems Inc	1 978	0
Nel Hydrogen A/S	2 910	2 038
Total	17 792	18 714

Current liabilities are mainly related to fair value of hedging instruments offered to subsidiaries. See Note 16 for additional information.

All related party transactions have been carried out as part of the normal course of business and at arm's length.

Nel ASA has during 2021 charged NOK 75.6 (43.5) million for corporate services provided to its subsidiaries. The management services are priced with the cost plus method applying a 5 % mark-up for low value services. The management fee has been allocated to the subsidiaries based on revenue, operating expenses and capital expenditures as allocation keys.

INTERNAL REVENUES	2021	2020
Nel Hydrogen Electrolyser AS	16 166	6 290
Proton Energy Systems Inc	27 731	16 287
Nel Hydrogen A/S	22 653	16 249
Nel Hydrogen Inc	4 596	2 724
Nel Korea Co. Ltd	4 466	1 950
Total	75 613	43 500

Board of Directors

Remunaration of Board of Directors is disclosed in note 7.4 in the consolidated financial statements.

Note 14 Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under other long-term debt and other current liabilities) and the movements during the period:

	2021	2020
1. January	786	1 789
Additions	8 996	0
Remeasurement	1 391	-83
Accretion of interest	350	125
Lease payments	-2 582	-1 045
Balance as of 31.12.	8 942	786
Current	1 958	786
Non-current	6 983	0
Balance as of 31.12.	8 942	786

Maturity analysis for lease liabilities (undiscounted cash flows)

	2022	2023	2024	2025	>2025	TOTAL
Lease liabilities	3 322	3 441	3 441	3 441	3 436	17 080

(Amounts in NOK thousands)

	2021	2020
Balance as of 01.01.	786	1 789
Cash flows principal amount	-2 231	-920
Cash flows interests	-352	-125
Non-cash changes:		
Additions and remeasurements	10 386	-83
Accretion of interest expense	352	125
Balance as of 31.12.	8 942	786

Note 15 Finance income and cost

	2021	2020
Internal interest income	26 839	25 972
Interest income	19 735	14 402
Reversal of impairment shares in subsidiaries	0	35 000
Change in fair value equity instruments	0	100 176
Other	279	0
Finance income	46 853	175 549
Interest expense	-194	-16
Interest expense lease liabilities	-349	-125
Net foreign exchange gain/(loss)	-1 871	-6 629
Change in fair value equity instruments	-47 757	0
Other	-24	-146
Finance cost	-50 195	-6 916
Net finance income (cost)	-3 342	168 633

In 2020 a previous impairment expense for shares in Nel Fuel AS has been reversed as the value of the shares exeeds the book value. The value of Nel Fuel AS shares have increased significantly during 2020 following the listing of Everfuel A/S. Nel Fuel AS has a shareholding of 15.80% in Everfuel A/S which is listed on Euronext Growth. The carrying value of the shares in Nel Fuel AS is now recognised at cost.

Changes in fair value equity instruments is entirely from shareholding in Nikola Corporation, see note 12 for additional information.

The net foreign exchange gain(loss) is mainly the unrealised currency exchange effectes related to internal loans

Note 16 Financial risk and derivatives

Financial risks in Nel and the use of derivative instruments are described in note 6.1 to the consolidated financial statement.
Nel ASA offers currency derivatives to subsidiaries using such instruments for risk management. The derivatives are measured at fair value (level 2 in fair value hierarchy), using valuation techniques which maximise the use of observable market price. The contracts with financial institutions are back-to-back with subsidiaries, thus, the contract has no P&L impact for Nel ASA. At the end of 2021 and 2020, Nel is committed to the following outstanding forward foreign exchange contracts with subsidiaries:

	2021	2020
Forward foreign exchange contracts (Nel Group internal), notional amount:		
Current assets	8 176	10 532
Non-current assets	1 877	8 181
Current liabilities	-4 127	-3 608
Non-current liabilities	-163	-836
Total	5 762	14 270

The contracts represents the subsidiaries exposure in US dollars, Euro, Swedish Krone and British pounds.
The contracts mature no later than 2023.

Note 17 Financial instruments

Financial instruments and fair values

2021

	CARRYING AMOUNT				FAIR VALUE			
	FAIR VALUE - HEDGING INSTRUMENTS	MANDATORILY AT FVTPL - OTHERS	FINANCIAL ASSETS AND LIABILTIES AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets								
Financial assets measured at fair value								
Forward exchange contracts	10 226			10 226		10 226		10 226
Financial asset - equity instruments		96 320		96 320	96 320			96 320
SUM	10 226	96 320		106 545	96 320	10 226		106 545
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts	-4 290			-4 290		-4 290		-4 290
SUM	-4 290			-4 290		-4 290		-4 290

2020

	CARRYING AMOUNT				FAIR VALUE			
	FAIR VALUE - HEDGING INSTRUMENTS	MANDATORILY AT FVTPL - OTHERS	FINANCIAL ASSETS AND LIABILTIES AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets								
Financial assets measured at fair value								
Forward exchange contracts	18 768			18 768		18 768		18 768
Financial asset - equity instruments		144 077		144 077	144 077			144 077
SUM	18 768	144 077		162 846	144 077	18 768		162 846
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts	-4 444			-4 444		-4 444		-4 444
SUM	-4 444			-4 444		-4 444		-4 444

Note 18 Guarantees

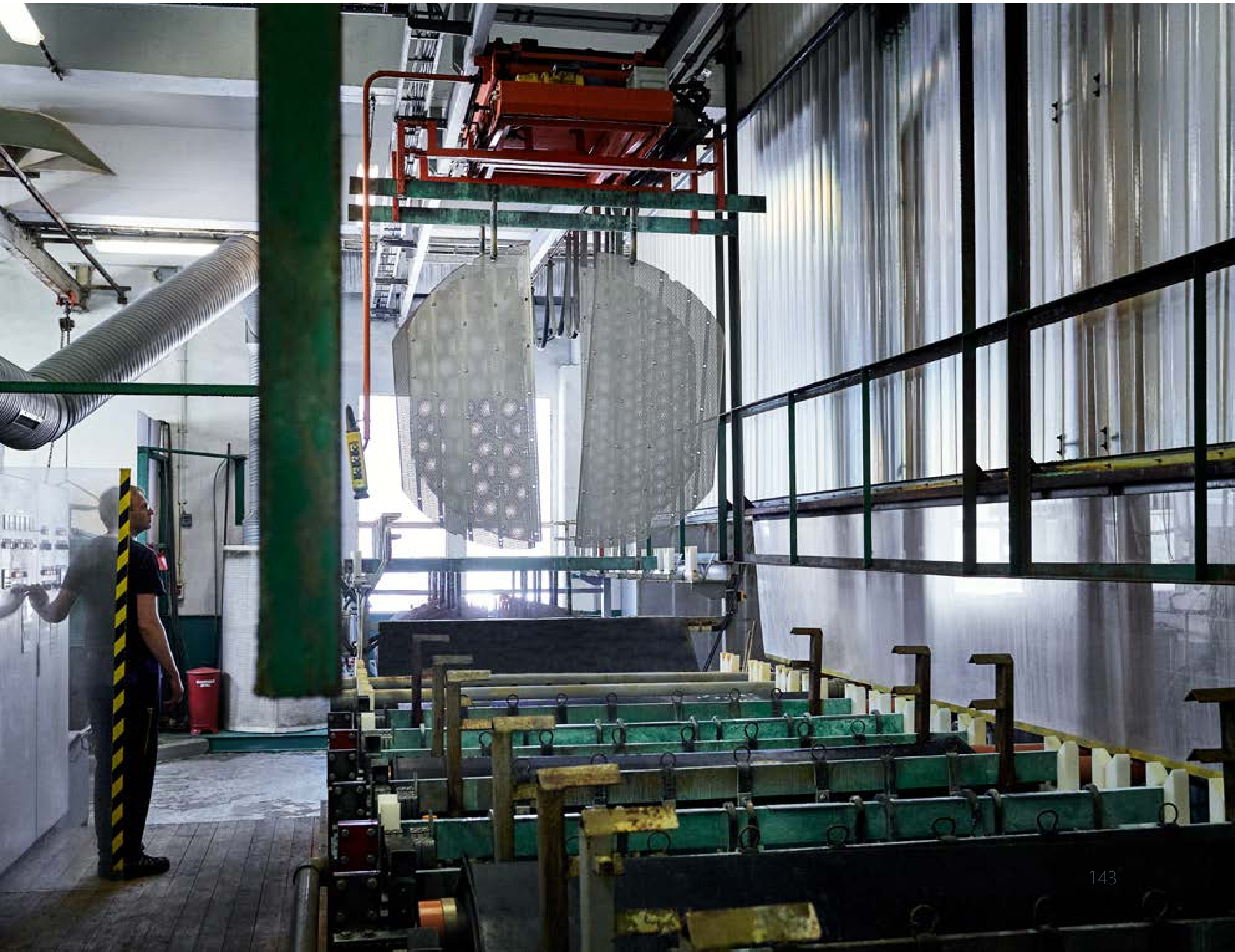
Nel provides guarantees arising in the ordinary course of business including stand-by letters of credit, performance bonds and various payment, financial guarantees and parent company guarantees. All commercial guarantees are on behalf of subsidiaries.

Total financial guarantees recognised as financial liability is NOK 1.6 (0) million as of 31. December 2021. The financial liabilities will be amortised over the lifetime of the guarantees, which is in the range of 1-7 years.

Note 19 Subsequent events

On 21 January, 2022, Hyon AS, listed on Euronext growth, completing a private placement at a price of NOK 2.34 per share. The private placement values the company, based on the shares outstanding following the private placement and the offer price, at approximately NOK 130 million. Nel ASA owns 9 080 000 shares, or 17.64%, of the company.

The war in Ukraine impacts commodity prices relevant to Nel. The financial impact is uncertain. Nel's operational activities in Russia and Ukraine are limited.



8 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.

9 Auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nel ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nel ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise of statement of financial position as at 31 December 2021 and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise of statement of financial position as at 31 December 2021, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

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

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company since 2000, and in the period following the initial public offering of the Company in 2004.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate

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opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue from sale of customised products and equipment

Basis for the key audit matter
The Group derives a significant part of its revenues from sale of customised product and equipment. Such projects involve revenue recognition over time based on measuring the progress towards complete satisfaction of the performance obligation. The assessment of measuring progress requires subjectivity and professional judgement and is therefore subject to uncertainty and potential misstatements. The main risks include management's use of estimates and judgments in relation to measuring progress, including determining the contract's total revenues, expected costs to complete and estimated project margin. We consider this a key audit matter because of the significant amounts and the management judgement applied in the estimates.

Our audit response
We assessed the application of accounting principles and routines for monitoring the customised product and equipment sales. We discussed the status of contracts with management, finance and technical staff and tied estimated revenues and cost to budgets. For new contracts we tested the estimated revenue against agreements. We have also recalculated the measurement of progress and performed test of details e.g. vouching to invoices and hours incurred on the projects. We refer to the Groups disclosures included in note 1.5 and 2.1 in the consolidated financial statements.

Assessment of impairment of goodwill

Basis for the key audit matter
At 31 December 2021, the recorded amount of goodwill was NOK 615 million, or 10 % of total assets. Estimating the recoverable amount of the goodwill requires management judgment including estimates of future sales, gross margins, operating costs, growth rates, capital expenditures and discount rate. Management's annual impairment assessment was a key audit matter because the assessment requires significant judgment and includes estimation uncertainties.

Our audit response
For each cash generating unit, we evaluated the assumptions based on the development in the market and compared the cash-flow projections in the impairment calculation to board approved budgets. We considered the accuracy of management's prior year estimates and evaluated the level of consistency applied in the valuation methodology from previous years. Furthermore, we compared the risk premiums in the weighted average cost of capital with external data and considered management's adjustments for company specific factors. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis of the assumptions used. We assessed the Group's disclosures included in note 1.5 and 3.1 in the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

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Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and CEO) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Nel ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name NELASA-2021-12-31-en, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

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Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 22 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

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