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Nel ASA

Q3 2022 report

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Nel in brief

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 dates to 1927. 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 emissions. Nel is headquartered in Oslo, Norway and listed on the Oslo Stock Exchange under the ticker "NEL".

Nel's vision is empowering generations with clean energy forever and our mission is to unlock the potential of renewables and enable global decarbonization.

Nel Hydrogen Electrolyser

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

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

Today, around 1% of the global supply of hydrogen is generated via water electrolysis. The other 99% is primarily produced from natural gas via steam methane reforming. Electrolysis is expected to grow in market share, mainly driven by the decreasing cost and increasing availability of renewable energy, decreasing cost of electrolysers, and increasing focus on decarbonization. The overall hydrogen market is expected to grow significantly, with hydrogen being used as a zero-emission fuel for mobility and as a way of decarbonising hard-to-

decarbonise industrial sectors like the replacement of coal in the metal industry.

The electrolyser business area has manufacturing facilities in Herøya, Norway, and in Wallingford, Connecticut, USA.

Nel Hydrogen Fueling

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

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

Highlights

- Nel ASA (Nel) reported revenue and operating income in the third quarter 2022 of NOK 183 million, down 20% from the third quarter 2021 (Q3 2021: 229). The decline was driven by lower sales in Fueling and PEM electrolysers whereas alkaline electrolysers experienced strong growth.
- Order intake in the quarter amounted to NOK 775 million (88% from electrolyser), up 456% from the same quarter last year (Q3 2021: 139).
- At quarter end, Nel had a record high order backlog of NOK 2 103 million (80% related to electrolyser), up 107% from the third quarter of 2021, and up 46% compared to the previous quarter.
- EBITDA of NOK -214 million (Q3 2021: -113) driven by high losses in Fueling, low margins on electrolyser projects signed in 2020/2021 and increased personnel expenses to prepare for large-scale projects
- Strong cash balance of NOK 3 520 million (Q3 2021: 2 930).
- Subsequent to the quarter,
 - Nel has received approximately USD 6 million in funding from US Department of Defence for accelerating advanced PEM electrolyser stack development.
 - Nel has received a new NOK 600 million purchase order in the U.S. from Woodside Energy for alkaline electrolyser equipment.

Key figures

(Amounts in NOK million)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Revenue and operating income	183	229	579	550	798
Operating expenses	443	368	1 267	936	1 381
EBITDA	-214	-113	-563	-308	-475
Operating loss	-260	-139	-688	-386	-583
Pre-tax income (loss) ¹⁾	-262	-509	-456	-1 403	-1 684
Net income (loss) ¹⁾	-260	-507	-450	-1 397	-1 667
Net cash flow from operating activities	-118	-116	-497	-348	-449
Cash balance end of period	3 520	2 930	3 520	2 930	2 723
Order intake	775	139	1 293	549	967
Order backlog	2 103	1 014	2 103	1 014	1 230

1) Pre-tax income (loss) and Net income (loss) include fair value adjustments of shareholdings in Everfuel A/S, Nikola Corporation and Hyon AS. Refer to note 6 for detailed information.

Key press releases during the quarter and subsequent events

Corporate

Nel ASA sold all its shares in Nikola Corporation for a total consideration of about NOK 72 million.

Nel Hydrogen Electrolyser

Electrolyser received purchase orders for:

- An alkaline electrolyser in the U.S. for industrial application.
Value approximately EUR 45 million.
- An alkaline electrolyser in Denmark for production of green ammonia.
Value approximately EUR 4 million.
- An alkaline electrolyser in the U.S. providing renewable hydrogen to fuel cell vehicles.
Value approximately NOK 600 million.
- A PEM electrolyser in the U.S. for low carbon sustainable aviation fuel.
Value approximately USD 3 million.
- A PEM electrolyser in Australia providing renewable hydrogen to heavy fuel cell vehicles.
Value approximately EUR 4 million.
- Alkaline initiated the continued expansion at the Herøya facility with an additional 500 MW alkaline production line which is expected to be operational from April 2024.
- PEM has been granted approximately USD 6 million in funding from the U.S. Department of Defense (DoD) for accelerating advanced PEM electrolyser stack development.

Nel Hydrogen Fueling

Fueling received purchase orders for:

- Multiple H2Station™ units from a European client.
Value approximately EUR 8 million.

The complete list of press releases is available at Nel's web site

[Press releases | Nel Hydrogen](#)

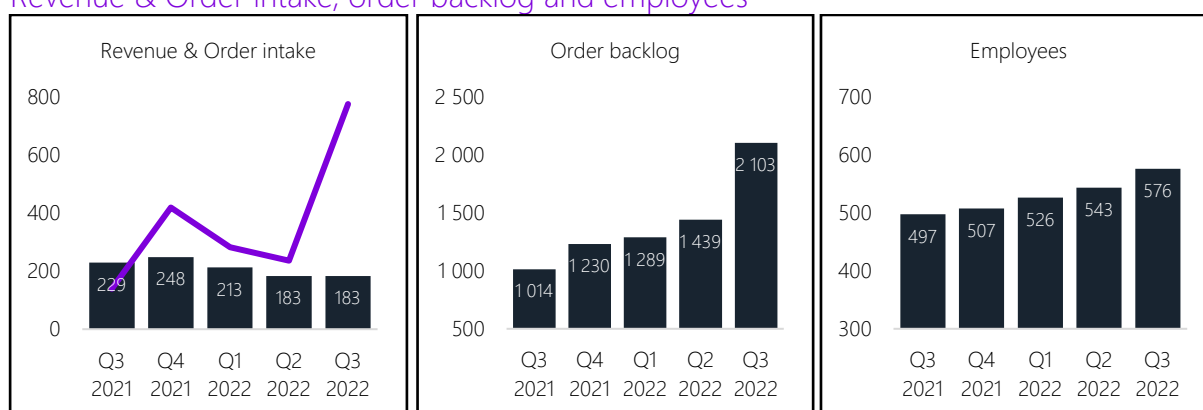
Financial development

Group

Key figures

(Amounts in NOK million)	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change	2021
Revenue and operating income	183	229	-20%	579	550	5%	798
Operating expenses	443	368	20%	1 267	936	35%	1 381
EBITDA	-214	-113		-563	-308		-475
Order intake	775	139	456%	1 293	549	135%	967
Order backlog	2 103	1 014	107%				1 230
Employees	576	497	16%				507
Total assets	7 375	6 047	22%				6 007

Revenue & Order intake, order backlog and employees



Nel reported a 20 percent decrease in revenue compared to the same quarter last year. This was mainly caused by reductions in Fueling and PEM electrolyzers, while alkaline electrolyzers experienced high growth. In Fueling the low order intake in previous quarters combined with supply chain challenges resulted in low sales of new fueling stations. For PEM electrolyzers, the order intake has been good for smaller systems, but actual deliveries and revenue recognition is slowed down due to long lead times on certain components.

The increase in order backlog is mainly explained by the record size purchase order for 200 MW of alkaline electrolyser equipment received from a US customer. Personnel expenses increased by 29% compared to the same quarter in 2021 as Nel continued to build the organization in line with its strategic decision to pursue growth and prepare for delivery of large-scale projects. The employees added are experienced project, production and technology personnel.

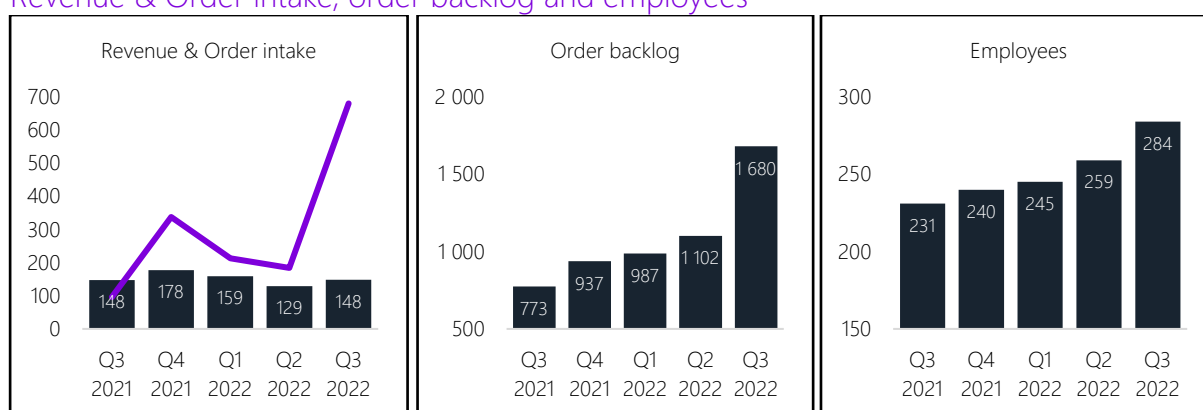
EBITDA decreased from same quarter last year. In addition to lower revenues in Fueling and PEM electrolyzers and higher personnel expenses, the EBITDA was negatively impacted by high quality costs in Fueling, increased raw materials expenses and supply chain challenges. Across all divisions, the operating results are negatively impacted by upscaling costs such as entering new customer segments, increasing the project sizes and introducing new technological components/products. Nel's equity ratio at the end of the third quarter was 84% including NOK 3 520 million in cash. Total assets increased 22% compared to year end 2021. The increase is mainly related to the share capital increase in March, which raised NOK 1 500 million in gross proceeds, and increase in the fair value of equity instruments.

Nel Hydrogen Electrolyser

Key figures

(Amounts in NOK million)	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change	2021
Revenue and operating income	148	148	1%	437	289	51%	466
Operating expenses	265	208	27%	736	474	55%	737
EBITDA	-94	-46		-237	-139		-210
Order intake	680	96	608%	1 077	425	153%	763
Order backlog	1 680	773	117%				937
Employees	284	231	23%				240
Total assets	2 331	1 585	47%				1 842

Revenue & Order intake, order backlog and employees



The electrolyser segment received a record size purchase order for 200 MW of alkaline electrolyser equipment during the quarter, contributing to an all-time high order backlog of NOK 1 680 million. Overall demand is increasing, projects are getting larger, and customers are increasingly looking towards suppliers with available capacity and a track record for delivering equipment.

Nel Hydrogen Electrolyser reported revenue and operating income at the same level as in the same quarter in 2021. Growth in alkaline electrolysers was strong as Nel continued the deliveries of electrolyser systems from the manufacturing facility at Herøya in Norway according to plan. Revenues from sales of alkaline electrolysers increased 940% compared to the same quarter last year, while quarterly sales of PEM electrolysers decreased 42% from 2021 amid supply chain challenges and as the third quarter last year included deliveries on an individual large project.

EBITDA decreased from the third quarter of 2021 due to continued ramp-up activities including a 23% increase in number of employees. Nel prepares for delivery of large-scale projects in the coming years, two of which have already been signed. In addition, Nel is improving its project execution capabilities, where weaknesses have negatively impacted margins to date. Nel now reports on projects that were signed in previous years when market conditions were less favourable than today.

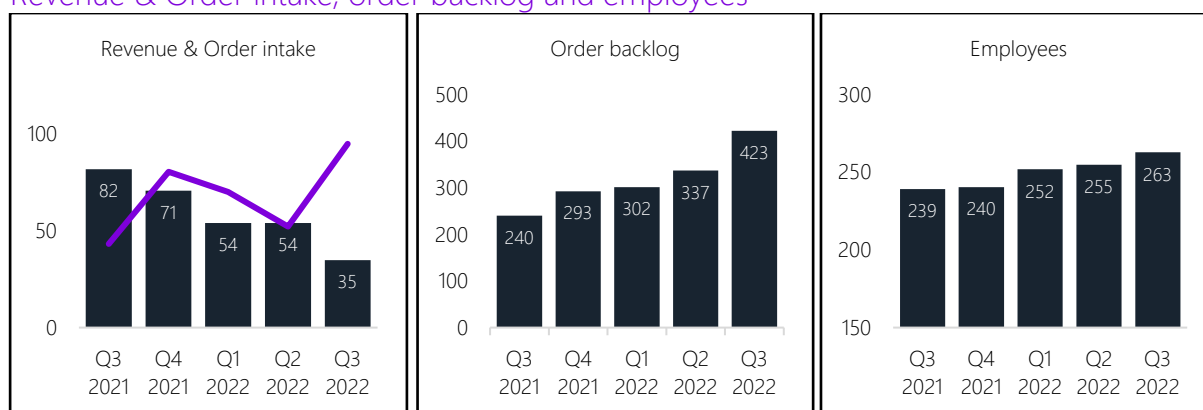
As of 2022, with the opening of its 500 MW fully-automated manufacturing facility at Herøya, Nel became the first electrolyser company capable of accommodating large-scale projects. In order to meet the global ambitions for renewable hydrogen, Nel initiated continued expansion at Herøya in Norway with an additional 500 MW alkaline production line. Given the significant pipeline of projects globally, and the expectation that projects will continue to grow in size, Nel is ready to continue to increase its electrolyser production capacity.

Nel Hydrogen Fueling

Key figures

(Amounts in NOK million)	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change	2021
Revenue and operating income	35	82	-57%	143	261	-45%	332
Operating expenses	127	134	-5%	414	394	5%	541
EBITDA	-93	-42		-236	-105		-169
Order intake	95	43	120%	217	124	74%	205
Order backlog	423	240	76%				293
Employees	263	239	10%				240
Total assets	1 125	977	15%				1 038

Revenue & Order intake, order backlog and employees



Although Nel Fueling continues to work with potential large framework orders, the division has had a low order intake for several quarters. As mentioned in the Q2 report, this negatively impacted revenues in Q3 and will likely impact Q4 as well. Revenues were further suppressed by supply chain disruptions, which result in longer delivery times and delayed revenue recognition.

Gross margin was negatively impacted by quality costs related to higher utilisation of fueling stations. There has been a large increase in the utilisation of many of Nel's installed stations, enabling accelerated learnings and improvements both within product maturity and overall reliability. However, increased utilisation also leads to increases in cost for stations under warranty or fixed rate service contracts as components have to be replaced and service and maintenance costs increase. A hydrogen fueling station is a complex and relatively new technology. The hydrogen industry, including Nel, is still working to mature the technology as well as investing in service and maintenance, robustness, and reliability. Nel will continue to incur high costs related to these activities going forward.

The EBITDA was NOK -93 million and NOK -236 million in Q3 and YTD 2022, respectively. Fueling EBITDA decreased compared to the same quarter last year due to lower revenues, high quality costs, and an increase in personnel expenses resulting from a 10% increase in the number of employees and higher overtime and travel expenses. The results are unsatisfactory and Nel is intensifying actions to improve performance and profitability.

Finance

(Amounts in NOK million)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Finance income					
Interest income	22	5	43	13	20
Change in fair value financial instruments	22	2	97	46	8
Other	4	0	4	1	1
Interest income and other finance income	48	6	145	60	28
Finance costs					
Interest expense	-3	-4	-8	-9	-10
Capitalised interest	0	3	0	6	6
Net foreign exchange gain (loss)	74	4	119	-3	-4
Change in fair value financial instruments	-121	-379	-24	-1 070	-1 121
Other	0	0	-1	-1	-1
Interest expense and other finance costs	-49	-376	86	-1 077	-1 129
Net finance income (cost)	-2	-370	231	-1 017	-1 101

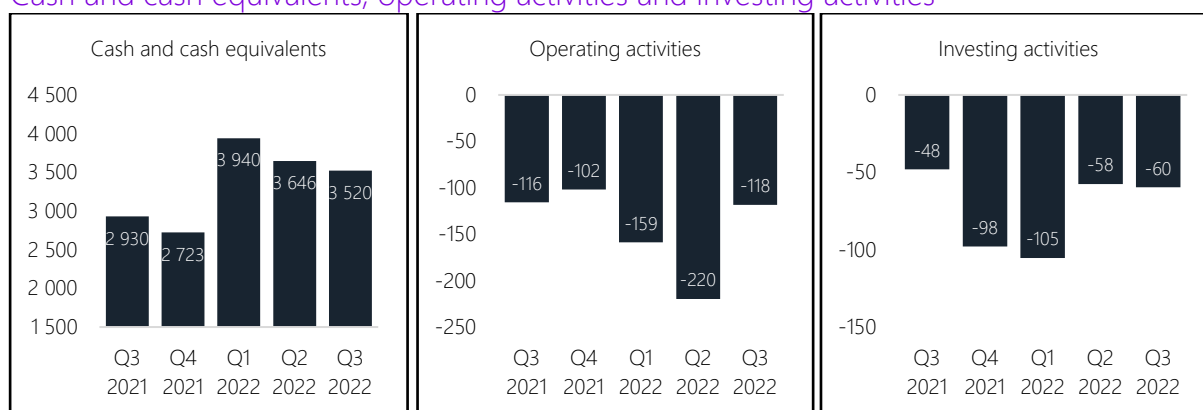
Nel reported finance income of NOK 48 million (Q3 2021: 6) in the quarter, including interest income of NOK 22 million (Q3 2021: 5) from cash and cash equivalents. Increase in interest income is caused by increased NOK interest rate. This year's quarter figure included a positive change in the fair value of shareholdings of NOK 22 million.

Finance costs in the quarter were NOK -49 million compared to NOK -376 million in the same quarter last year. This significant change is mainly due to a negative change in fair value of shareholdings of NOK -379 million in the third quarter last year, compared to NOK -121 million this quarter. Third quarter 2022 includes NOK 51 million (Q3 2021: 3) in unrealised currency exchange gain resulting from revaluing internal loans, caused by a weakened NOK against USD and EUR.

Cash

(Amounts in NOK million)	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change	2021
Net cash flow from operating activities	-118	-116	2%	-497	-348	43%	-449
Net cash flow from investing activities	-60	-48	24%	-223	-276	-19%	-374
Net cash flow from financing activities	39	22	80%	1 503	1 222	23%	1 216
Foreign currency effects on cash	13	-2		14	-2		-3
Net change in cash	-126	-144	-12%	797	598	33%	390
Cash and cash equivalents OB	3 646	3 074	19%	2 723	2 333	17%	2 333
Cash and cash equivalents	3 520	2 930	20%	3 520	2 930	20%	2 723

Cash and cash equivalents, operating activities and investing activities



Cash flow from operating activities was negative as Nel continues to pursue its growth strategy, investing in an expanded organization to address the volume and complexity of global project tenders and execution activity. Changes in net working capital increased cash by NOK 82 million (Q3 2021: -10) in the quarter as a larger portion of the trade receivables was collected.

The investing activities in the third quarter 2022 included NOK 72 million proceeds from sale of Nikola shares, and net NOK -42 million (Q3 2021: 38) in changes to restricted bank deposits and collateral for bank guarantees with a maturity longer than three months at the date of purchase. The purchase of property, plant and equipment totalled NOK 55 million (Q3 2021: 52) in the quarter. Other investment activities included capitalised internal development of next generation fueling stations and electrolyzers for a total of NOK 36 million (Q3 2021: 34) this quarter.

Net finance activities of NOK 39 million (Q3 2021: 22) in the quarter includes NOK 46 million (Q3 2021: 28) from gross proceeds from a share issue in connection with employees exercising share options.

Foreign currency effect on cash was low and limited as Nel holds a significant portion of cash in NOK, which is also the presentation currency of Nel.

Risks and uncertainty

Nel is exposed to significant risk and uncertainty factors, which may affect some or all of the group's activities. Nel is exposed to operational, financial, market and climate-related risk. There are no significant changes in the risks and uncertainty factors described in our Annual Report 2021.

Outlook

External and internal analyses support a market view that multiple gigawatts of electrolyser projects will reach final investment decision before 2025. Industrial applications represent the most promising near-term opportunities. Projects will likely come first in mature markets, before large greenfield installations integrated with renewables gradually become a leading market segment.

As customers are increasingly looking to secure supply of electrolysers from high-quality suppliers, fearing that future supply will be constrained, the market dynamics have improved during the past few months. Nel is now able to negotiate large contracts with more favourable terms and conditions for projects that will be realised several years into the future. Nel has recently received two large-scale purchase orders and consequently the order book continues to grow rapidly.

Nel is in an excellent position to maintain its lead in electrolysers. Nel's production capability is also an important differentiating factor short- to mid-term. Based on a large and growing pipeline of opportunities and improved funding schemes in both the EU and the US, Nel expects to win several new large-scale orders going forward. Higher revenues in combination with higher margins on individual contracts and improved execution will yield significantly improved profitability in electrolyser in the years to come. This positive market outlook drives Nel's continued investments in engineering, projects, and related personnel. It should be noted that the increasing size of projects leads to a long preparation and negotiation phase with significant paid as well as unpaid engineering work. In addition, order intake will vary from quarter to quarter.

In Fueling, the current market dynamics and outlook are different than in electrolyser. The long-term market outlook is positive, but short-term demand continues to be soft. Margins in the Fueling division are currently low as quality costs related to the installed base increase with higher utilisation. This will continue until the installed base has been stabilized. Nel is dissatisfied with the profitability in its Fueling division and is intensifying actions to improve performance and profitability.

Oslo, 20 October 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 Røtjær
Board member
(Electronically signed)

Jon André Løkke
Board member
(Electronically signed)

Håkon Volldal
CEO
(Electronically signed)

Condensed interim financial statements

Consolidated statement of comprehensive income (unaudited)

(Amounts in NOK thousands)	Note	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Revenue and operating income						
Revenue from contracts with customers		174 932	220 524	545 373	517 391	753 096
Other operating income		8 203	8 783	34 121	32 493	44 905
Total revenue and operating income	3	183 135	229 306	579 494	549 884	798 001
Operating expenses						
Raw materials		139 463	160 626	418 617	362 534	551 695
Personnel expenses		163 345	126 457	471 547	331 957	472 010
Depreciation, amortisation and impairment	4, 5	46 301	25 926	124 342	78 575	107 616
Other operating expenses		94 196	55 238	252 783	162 974	249 533
Total operating expenses		443 305	368 247	1 267 289	936 040	1 380 854
Operating loss		-260 170	-138 941	-687 795	-386 156	-582 853
Finance income	6	47 777	6 037	144 941	59 799	28 276
Finance cost	6	-49 336	-376 017	86 468	-1 076 541	-1 129 224
Share of loss from associates and joint ventures		0	0	0	0	-35
Net financial items		-1 559	-369 980	231 409	-1 016 742	-1 100 983
Pre-tax income (loss)		-261 729	-508 921	-456 386	-1 402 899	-1 683 836
Tax expense (income)		-2 090	-1 883	-5 973	-5 535	-16 984
Net income (loss)		-259 639	-507 038	-450 413	-1 397 364	-1 666 852
Items that are or may subsequently be reclassified to income statement:						
Currency translation differences		44 457	12 701	116 676	2 138	-7 108
Cash flow hedges, effective portion of changes in fair value		-25 502	-1 285	-27 998	-7 237	-3 086
Cash flow hedges, reclassified		2 267	3 149	-213	4 454	-3 244
Other comprehensive income		21 222	14 565	88 465	-645	-13 438
Total comprehensive income		-238 417	-492 473	-361 948	-1 398 010	-1 680 290
Basic EPS (figures in NOK) ¹⁾		-0.17	-0.35	-0.29	-0.97	-1.15
Diluted EPS (figures in NOK) ¹⁾		-0.17	-0.35	-0.29	-0.97	-1.15
Weighted average number of outstanding shares (million)		1 561	1 459	1 530	1 448	1 451

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

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

Consolidated statement of financial position (unaudited)

(Amounts in NOK thousands)	Note	30.09.2022	31.12.2021
ASSETS			
Intangible assets	4	1 330 067	1 144 144
Property, plant and equipment	5	676 608	623 514
Other non-current assets		224 182	95 187
Total non-current assets		2 230 857	1 862 845
Inventories		509 605	328 465
Trade receivables		288 853	211 408
Contract assets		62 943	178 769
Other current assets	6	762 480	702 728
Cash and cash equivalents		3 520 265	2 722 769
Total current assets		5 144 146	4 144 139
TOTAL ASSETS		7 375 003	6 006 984
EQUITY AND LIABILITIES			
Shareholders' equity		6 206 044	5 038 704
Total equity		6 206 044	5 038 704
Deferred tax liability		52 084	48 543
Long-term debt		22 978	23 191
Lease liabilities		112 506	113 505
Other non-current liabilities		73 502	77 989
Total non-current liabilities		261 070	263 228
Trade payables		147 420	132 962
Lease liabilities		23 352	19 916
Contract liabilities		534 822	360 821
Other current liabilities		202 295	191 352
Total current liabilities		907 889	705 051
Total liabilities		1 168 959	968 279
TOTAL EQUITY AND LIABILITIES		7 375 003	6 006 984

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

Consolidated statement of cash flows (unaudited)

(Amounts in NOK thousands)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Cash flow from operating activities					
Pre-tax income (loss) ¹⁾	-261 729	-508 921	-456 386	-1 402 899	-1 683 836
Depreciation, amortisation and impairment	46 301	25 926	124 342	78 575	107 616
Change in net working capital ²⁾	81 929	-9 675	45 700	-50 022	-32 956
Other adjustments ³⁾	15 083	376 864	-210 500	1 026 815	1 159 718
Net cash flow from operating activities	-118 416	-115 805	-496 844	-347 531	-449 458
Cash flow from investment activities					
Purchases of property, plant and equipment	-54 516	-51 624	-89 448	-183 652	-258 283
Payments for capitalised technology	-35 765	-34 112	-89 378	-95 027	-118 870
Purchases of other investments ⁴⁾	-47 093	0	-122 599	-37 378	-46 966
Investments in other financial assets	0	0	0	-13 125	-13 125
Disposal of fixed assets	0	0	0	16 000	26 056
Investments in associates and joint ventures	0	-572	0	-1 272	-1 272
Proceeds from sales of other investments ⁴⁾	77 719	38 179	78 735	38 844	38 844
Net cash flow from investing activities	-59 655	-48 129	-222 690	-275 610	-373 616
Cash flow from financing activities					
Interest paid ⁵⁾	-2 533	-1 044	-7 721	-2 805	-3 678
Gross cash flow from share issues	45 599	27 877	1 545 599	1 253 002	1 255 103
Transaction costs connected to share issues	-79	-65	-23 374	-15 522	-15 562
Payment of lease liabilities	-3 679	-4 030	-10 431	-10 939	-15 467
Payment of non-current liabilities	0	-911	-745	-1 367	-4 464
Net cash flow from financing activities	39 308	21 826	1 503 328	1 222 369	1 215 932
Foreign currency effects on cash	12 634	-1 510	13 702	-1 679	-2 943
Net change in cash and cash equivalents	-126 129	-143 618	797 496	597 549	389 915
Cash and cash equivalents beginning of period	3 646 394	3 074 021	2 722 769	2 332 854	2 332 854
Cash and cash equivalents	3 520 265	2 930 403	3 520 265	2 930 403	2 722 769

1) The third quarter 2022 includes interest received of NOK 22 million (4).

2) Change in net working capital comprises changes in inventories, trade receivables, contract assets, contract liabilities and trade payables. A change in balance sheet items included in this row has resulted in a reclassification within cash flow from operating activities impacting the comparable amounts.

3) The third quarter 2022 includes a fair value adjustment of financial instruments of NOK -99 million. The fair value adjustment was NOK -377 million in the third quarter 2021.

4) Other investments comprise restricted bank deposits and collateral for bank guarantees with a maturity longer than three months at the date of purchase.

5) Interest paid includes interest expense on lease liabilities.

Consolidated statement of changes in equity (unaudited)

(Amounts in NOK thousands)	Share capital	Share premium	Treasury shares	Other component of equity	Retained earnings	Total equity
Equity as of 31.12.2020	281 559	4 367 306	-79	82 029	737 501	5 468 316
Net loss					-1 666 852	-1 666 852
Currency translation differences				-7 108		-7 108
Hedging reserve				-6 330		-6 330
Capital increase	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	5 596 248	-81	68 591	-918 214	5 038 704
Net loss					-450 413	-450 413
Currency translation differences				116 676		116 676
Hedging reserve				-28 211		-28 211
Capital increase	20 498	1 501 726				1 522 224
Options and share program		3	-3		6 532	6 532
Other changes					532	532
Equity as of 30.09.2022	312 658	7 097 977	-84	157 056	-1 361 563	6 206 044

Notes to the interim financial statements

Note 1 Organisation and basis for preparation

Corporate information

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

Nel (org. no 979 938 799) was formed in 1998 and is a Norwegian public limited company listed on the Oslo Stock Exchange. The group's head office is in Karenslyst allé 49, N-0278 Oslo, Norway.

Basis for preparation

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). This financial information should be read together with the annual report for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those used in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2021.

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

Note 2 Significant estimates, judgements and assumptions

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

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

Judgements

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

Assumptions and estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to the annual report of 2021 for more details related to key judgements and estimation.

Note 3 Segments

Nel identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Nel to identify its segments according to the organisation and reporting structure used by management. See Nel's Annual Report 2021 note 2.3 Segment information for a description of Nel's management model and segments, including a description of Nel's segment measures and accounting principles used for segment reporting.

The executive management group is the chief operating decision maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Nel operates within two operating segments, Nel Hydrogen Electrolyser and Nel Hydrogen Fueling. For more information on the segment's operation, see section 'Nel in brief' on page 2.

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

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

(Amounts in NOK thousands)	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change
Revenue and operating income						
Nel Hydrogen Electrolyser	148 367	147 624	1%	436 881	288 672	51%
Nel Hydrogen Fueling	34 768	81 682	-57%	142 613	261 212	-45%
Total	183 135	229 306	-20%	579 494	549 884	5%
EBITDA						
Nel Hydrogen Electrolyser	-93 819	-46 314		-237 234	-139 443	
Nel Hydrogen Fueling	-93 456	-41 853		-235 814	-104 610	
Corporate ¹⁾	-26 594	-24 848		-90 405	-63 528	
Total	-213 869	-113 015		-563 453	-307 581	
Investments ²⁾						
Nel Hydrogen Electrolyser	75 703	68 558	10%	139 406	231 395	-40%
Nel Hydrogen Fueling	14 578	17 178	-15%	39 420	60 410	-35%
Total	90 281	85 736	5%	178 826	291 805	-39%
Total assets ³⁾						
Nel Hydrogen Electrolyser	2 330 728	1 584 868	47%			
Nel Hydrogen Fueling	1 125 300	977 339	15%			
Corporate	3 918 975	3 484 738	12%			
Total	7 375 003	6 046 945	22%			

1) Corporate comprises parent company and other holding companies.

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

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

Property, plant and equipment by geographical area

(Amounts in NOK thousands)	30.09.2022	30.09.2021	Change	31.12.2021	Change
Norway	498 322	357 667	39%	461 994	8%
Denmark	112 920	115 892	-3%	106 262	6%
USA	60 287	45 496	33%	49 919	21%
South Korea	5 079	3 650	39%	5 339	-5%
Total	676 608	522 705	29%	623 514	9%

Note 4 Intangible assets

(Amounts in NOK thousands)	Goodwill	Technology	Customer relationship	Total
Carrying value of 01.01.2022	615 184	496 579	32 381	1 144 144
Additions	0	89 378	0	89 378
Amortisation	0	-51 296	-9 834	-61 130
Currency translation differences	79 670	73 898	4 107	157 675
Carrying value as of 30.09.2022	694 854	608 559	26 654	1 330 067

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

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

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

Note 5 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets

(Amounts in NOK thousands)	Land, buildings and equipment	Right-of-use assets	Total
Carrying value of 01.01.2022	512 316	111 198	623 514
Additions	89 448	10 033	99 481
Remeasurements	0	1 705	1 705
Depreciation	-47 703	-15 509	-63 212
Currency translation differences	11 730	3 390	15 120
Carrying value as of 30.09.2022	565 791	110 817	676 608

Note 6 Equity instruments

Nikola Corporation

(Book value in NOK thousands)	Shareholding ¹⁾	Fair value		USD/NOK	Book value
		USD/per share	USD value ²⁾		
Carrying value of 01.01.2021	1 106 520	15.26	16 885	8.53	144 077
Fair value adjustment 2021	0	-5.39	-5 964	0.29	-47 757
Carrying value of 01.01.2022	1 106 520	9.87	10 921	8.82	96 320
Fair value adjustment Q1 2022	0	0.84	929	-0.07	7 350
Fair value adjustment Q2 2022	0	-5.95	-6 584	1.22	-51 195
Fair value adjustment Q3 2022	0	1.99	2 205	-0.27	19 942
Sale of shares Q3 2022	-1 106 520	6.75	-7 472	9.69	-72 417
Carrying value as of 30.09.2022	0		0		0

1) Nel received 1.106.520 shares in Nikola Corporation as share consideration, by converting shares in Nikola Motor Company Inc., following the listing of Nikola on Nasdaq on June 4, 2020

2) Acquisition cost of Nikola Motor Company Inc. shares was USD 5.0 million

Everfuel

(Book value in NOK thousands)	Shareholding ¹⁾	Acquisition cost	Fair value	Book value ²⁾
		NOK/per share	NOK/per share	
Carrying value of 01.01.2021	12 338 624	0.91	125.00	1 542 328
Private placement 21.01.2021	20 485	125.00		2 561
Fair value adjustment 2021			-86.82	-1 073 018
Carrying value of 01.01.2022	12 359 109	1.12	38.18	471 871
Fair value adjustment Q1 2022			19.12	236 306
Fair value adjustment Q2 2022			-3.40	-42 021
Fair value adjustment Q3 2022			-9.40	-116 176
Carrying value as of 30.09.2022	12 359 109	1.12	44.50	549 980

1) On October 21, 2020, Everfuel A/S listed on Euronext Growth Oslo. Nel's shareholding before the initial public offering was 11 940 000.

2) A NOK 10 increase/reduction in share price of Everfuel A/S will lead to gains/losses of about NOK 120 million.

Hyon

(Book value in NOK thousands)	Shareholding ¹⁾	Acquisition cost	Fair value	Book value ²⁾
		NOK/per share	NOK/per share	
Carrying value of 01.01.2021	114 000	29.39		0
Capital increase		6.14		700
Sale of shares	-114 000	-35.53		-700
Purchase of shares	98 040	5.83		572
Stock split	9 705 960	-5.77		
Carrying value of 01.01.2022	9 804 000	0.06	0.06	572
Fair value adjustment Q1 2022			2.52	24 722
Fair value adjustment Q2 2022			-0.60	-5 884
Fair value adjustment Q3 2022			-0.13	-1 273
Carrying value as of 30.09.2022	9 804 000	0.06	1.85	18 137

1) On February 14, 2022, Hyon AS listed on Euronext Growth Oslo. Nel's shareholding before the initial public offering was 9 804 000. The Hyon shares are subject to a lock-up expiring on January 21, 2023.

2) A NOK 1 increase/reduction in share price of Hyon AS will lead to gains/losses of about NOK 10 million. Hyon was recognised as an equity-accounted investee in 2021.

Alternative Performance Measures

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

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

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

Nel's financial APMs

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

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

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

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

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

Title:

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