

nel•



Nel ASA

Q4 2022 report

Contents

Highlights	2
Key figures	2
Financial development	4
Group	4
Nel Hydrogen Electrolyser	5
Nel Hydrogen Fueling	6
Finance	7
Cash	8
Risks and uncertainty	9
Outlook	9
Condensed interim financial statements	11
Notes to the interim financial statements	15
Alternative Performance Measures	20

Highlights

- Nel ASA (Nel) reported revenue and operating income in the fourth quarter 2022 of NOK 414 million, up 67% from the fourth quarter 2021 (Q4 2021: 248). All segments, Fueling, PEM electrolysers and alkaline electrolysers experienced strong growth compared to same quarter last year. Full year revenue 2022 of NOK 994 million, up 25% compared to 2021.
- Order intake in the quarter amounted to NOK 982 million (92% from electrolyser), up 135% from the same quarter last year (Q4 2021: 418). Full year order intake 2022 of NOK 2 275 million, up 135% compared to 2021.
- At quarter end, Nel had a record high order backlog of NOK 2 613 million (85% related to electrolyser), up 112% from the fourth quarter of 2021, and up 24% compared to the previous quarter.
- As a result of Fueling's current financial performance and delayed growth trajectory, Nel has impaired all goodwill previously recognised in Fueling of NOK 296 million. In addition, Nel recognises an impairment of other intangible assets in Fueling by NOK 31 million.
- EBITDA of NOK -216 million (Q4 2021: -168) 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. Full year EBITDA of NOK -780 million, compared to EBITDA -475 million in 2021.
- Cash balance of NOK 3 139 million (Q4 2021: 2 723).
- Subsequent to the quarter,
 - Received purchased order from HyCC with a value of approximately NOK 125 million.
 - Investment decision to increase PEM production capacity in Wallingford to ~500 MW. Total capital expenditures estimated to be around NOK 260 million, and estimated to be at full capacity in 2025.

Key figures

(Amounts in NOK million)	Q4 2022	Q4 2021	2022	2021
Revenue and operating income	414	248	994	798
Operating expenses ²⁾	1 005	445	2 272	1 381
EBITDA	-216	-168	-780	-475
Operating loss ²⁾	-591	-197	-1 279	-583
Pre-tax income (loss) ¹⁾²⁾	-731	-281	-1 187	-1 684
Net income (loss) ¹⁾²⁾	-721	-269	-1 171	-1 667
Net cash flow from operating activities	-194	-102	-691	-449
Cash balance end of period	3 139	2 723	3 139	2 723
Order intake	982	418	2 275	967
Order backlog	2 613	1 230	2 613	1 230

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

2) Operating expenses includes NOK 327 million impairment in Fueling.

Key press releases during the quarter and subsequent events

Corporate

Nel ASA sold all its shares in Hyon AS for a total consideration of about NOK 7 million.

Nel Hydrogen Electrolyser

Electrolyser received purchase orders for:

- An alkaline electrolyser in the U.S. providing renewable hydrogen to fuel cell vehicles. Value approximately NOK 600 million.
- An alkaline electrolyser in Norway providing renewable hydrogen. Value approximately NOK 120 million.
- An alkaline electrolyser in Netherlands focused on renewable hydrogen for aviation sector. Value approximately EUR 12 million.
- Agreed with HH2E for a Front-End Engineering and Design (FEED) study and a Letter of Intent for two 60 MW alkaline electrolyser plants in Germany. The hydrogen produced from the plants will be used for industrial applications, transportation and heat. In total, HH2E is aiming for 4 GW of electrolyser capacity in Germany by 2030. The parties intend to conclude a contract for electrolyser equipment within the first half of 2023.
- Entered into a joint development agreement with General Motors to help accelerate the industrialisation of Nel's PEM electrolyser platform.
- 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

- Signed a Capacity Reservation Agreement (CRA) with an undisclosed US energy company, for the delivery of 16 hydrogen fueling stations to be deployed in the US. Value approximately USD 7 million. The final purchase order is estimated to approximately USD 17 million, with a final agreement expected first half 2023. Delivery of the fueling equipment is scheduled to commence in Q4 2023 and run throughout 2024.

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

[Press releases | Nel Hydrogen](#)

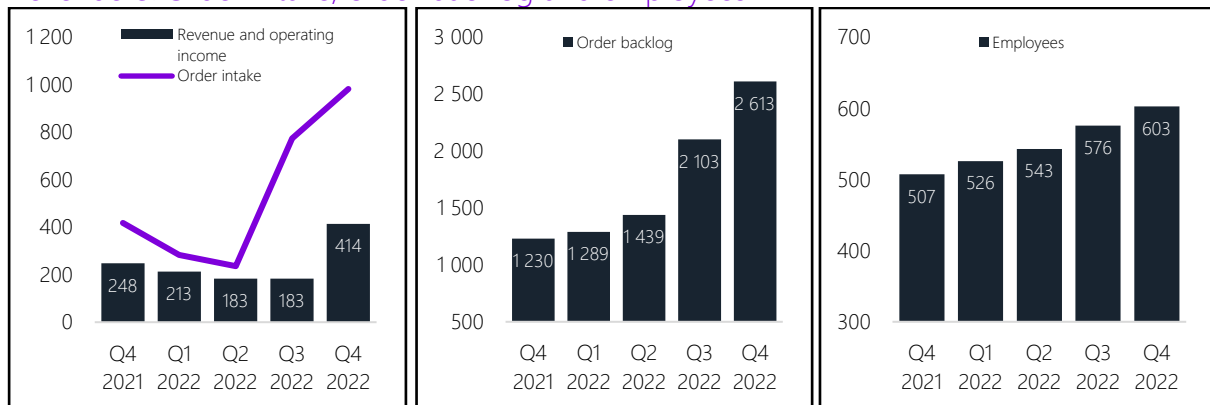
Financial development

Group

Key figures

(NOK million)	Q4 2022	Q4 2021	Change	2022	2021	Change
Revenue and operating income	414	248	67%	994	798	25%
Operating expenses	1 005	445	126%	2 272	1 381	65%
EBITDA	-216	-168		-780	-475	
Order intake	982	418	135%	2 275	967	135%
Order backlog	2 613	1 230	112%			
Employees	603	507	19%			
Total assets	6 951	6 007	16%			

Revenue & Order intake, order backlog and employees



Nel reported 67% increase in revenue compared to the same quarter last year. Electrolyser increased 75% and fueling increased 45%. Electrolyser is the largest segment in Nel and constitutes 75% (Q4 2021: 72%) of total revenue this quarter. The increase in order backlog is mainly explained by a record size purchase order for alkaline electrolyser equipment received from Woodside of about NOK 600 million.

Nel is committed to building the organization and production capacity to meet expected market growth, while simultaneously delivering on increasingly larger and more complex projects. This continues to impact the quarterly results.

At Nel, setting up project protocols, partnerships, and systems are still in its early stages. While the company has made notable improvements in ability and effectiveness, further developments are necessary to secure margins and increase profitability. Despite being the company with the most experience in this field, both Fueling and Electrolyser segments face execution challenges.

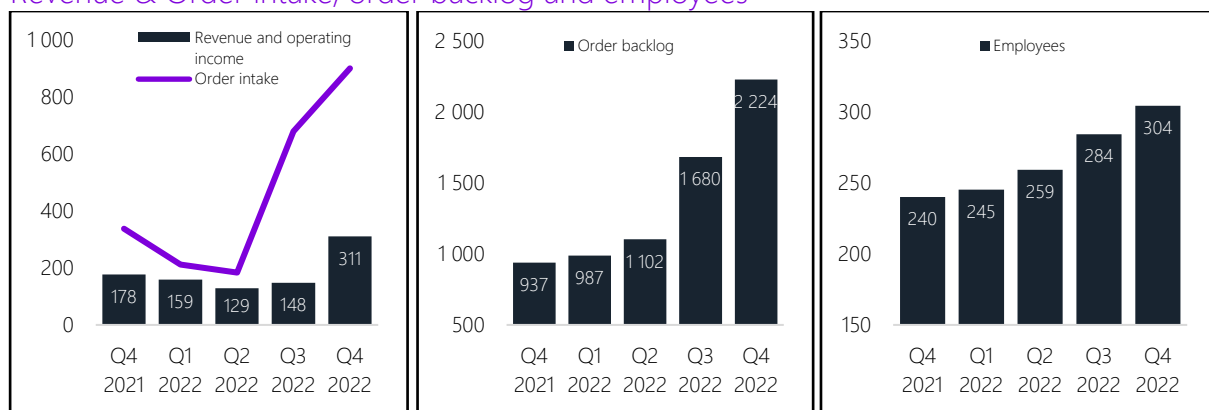
The company's amended electrolyser strategy on large projects is to narrow the scope and concentrate on stacks and balance-of-stacks. As projects grow in size, Nel will partner up with world-class EPC companies. This allows Nel to focus on its core scope while bringing a competitive solution for the hydrogen production system to the customer. The reduction of scope will reduce execution risk and improve margins for the equipment produced and sold. Similarly, Nel's Fueling division has narrowed its technology development focus and will increasingly work with partners to focus on the core development necessary for high capacity fueling.

Nel Hydrogen Electrolyser

Key figures

(Amounts in NOK million)	Q4 2022	Q4 2021	Change	2022	2021	Change
Revenue and operating income	311	178	75%	748	466	61%
Operating expenses	410	263	56%	1 168	737	59%
EBITDA	-66	-70		-304	-210	
Order intake	902	338	167%	1 978	763	159%
Order backlog	2 224	937	137%			
Employees	304	240	27%			
Total assets	2 427	1 842	32%			

Revenue & Order intake, order backlog and employees



The electrolyser segment received a record size purchase order for alkaline electrolyser equipment during the quarter, contributing to an all-time high order backlog of NOK 2 224 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 75% increase in revenue and operating income compared to the same quarter last year. 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 337% compared to the same quarter last year, and quarterly sales of PEM electrolysers increased 14% from 2021.

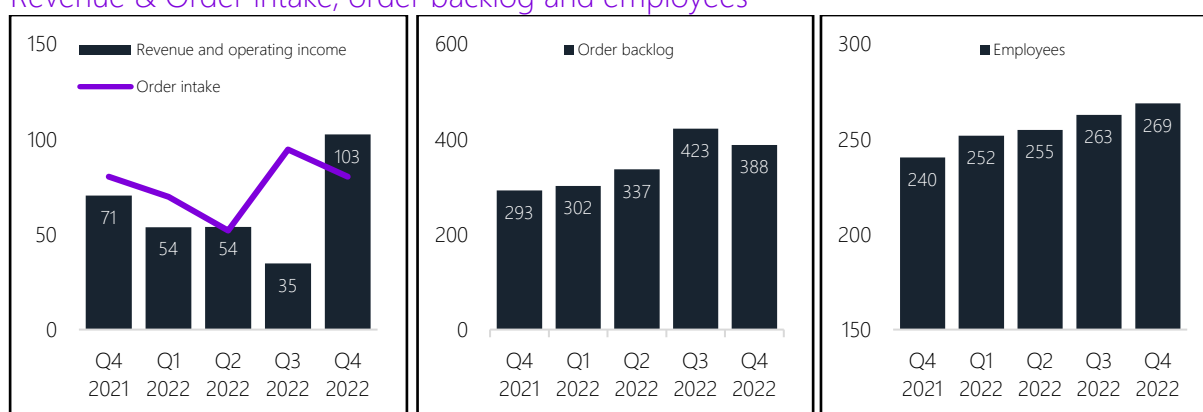
EBITDA continues to be negative for electrolyser as establishing project execution protocols, partnerships and systems is at an early stage at Nel. Nel prepares for delivery of large-scale projects in the coming years, two of which have already been signed. While significant improvements have been made in our ability and effectiveness in executing projects for our clients, continuous improvements are required in order to safeguard margins and increase profitability. Bringing new technologies to the market in the form of industrial projects of increasing size and complexity brings with it very many challenges. Nel is focused on increasing its efficiency and margins in project execution over time, but a confluence of factors negatively impacted operating performance in the quarter. In addition, Nel reports this quarter on projects that were signed in previous years when market conditions were less favourable than today.

Nel Hydrogen Fueling

Key figures

(Amounts in NOK million)	Q4 2022	Q4 2021	Change	2022	2021	Change
Revenue and operating income	103	71	45%	245	332	-26%
Operating expenses	559	147	281%	972	541	80%
EBITDA	-116	-64		-352	-169	
Order intake	81	80	0%	297	205	45%
Order backlog	388	293	32%			
Employees	269	240	12%			
Total assets	1 005	1 038	-3%			

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. Revenues have been suppressed by supply chain disruptions, which result in longer delivery times, some of which have accumulated into revenue in this quarter compared to previous quarters. During the fourth quarter, Fueling signed a Capacity Reservation Agreement with an undisclosed US energy company, for the delivery of 16 hydrogen fueling stations.

This quarter's operating income includes NOK 20 million as warranty compensation from a supplier for replacement of equipment delivered to customers. EBITDA was negatively impacted by quality costs. 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 annual impairment test indicated that the carrying amount of Fueling exceeded measured enterprise value and required Nel to recognise impairment expenses in 2022. The impairment equals all goodwill previously recognised in Fueling of NOK 296 million and other technology (intangible assets) in Fueling of NOK 31 million. As a result, the operating expenses in Q4 2022 for Fueling of NOK 559 million (147) includes the negative impact of a total of NOK 327 million in impairment expenses for the year.

Finance

(Amounts in NOK million)	Q4 2022	Q4 2021	2022	2021
Finance income				
Interest income	29	7	72	20
Change in fair value financial instruments	0	2	20	48
Other	2	0	6	1
Interest income and other finance income	31	8	98	68
Finance costs				
Interest expense	-3	-1	-11	-10
Capitalised interest	0	0	0	6
Net foreign exchange gain (loss)	-63	-1	56	-4
Change in fair value financial instruments	-108	-91	-50	-1 161
Other	0	0	-1	-1
Interest expense and other finance costs	-170	-93	-6	-1 169
Net finance income (cost)	-140	-84	92	-1 101

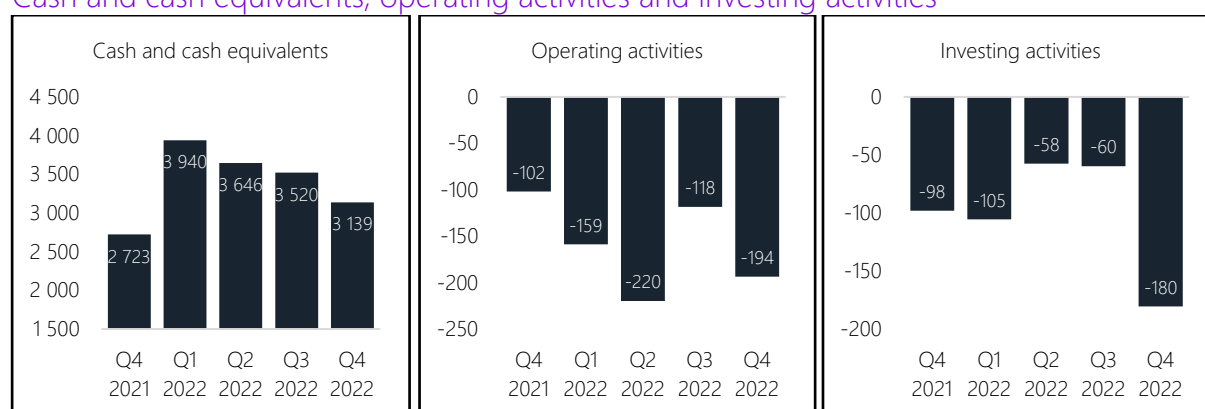
Nel reported finance income of NOK 31 million (Q4 2021: 8) in the quarter, including interest income of NOK 29 million (Q4 2021: 7) from cash and cash equivalents. Increase in interest income is caused by increased NOK interest rate.

Finance costs in the quarter were NOK -170 million compared to NOK -93 million in the same quarter last year. The net change in fair value of shareholdings had a negative effect of NOK -108 million this quarter (Q4 2021: NOK 89 million), mainly due to change in fair value of Nel's shareholding in Everfuel of NOK -104 million. Fourth quarter 2022 includes NOK -43 million (Q4 2022: -1) in currency exchange loss resulting from revaluing internal loans, caused by a stronger NOK against USD and EUR.

Cash

(Amounts in NOK million)	Q4 2022	Q4 2021	Change	2022	2021	Change
Net cash flow from operating activities	-194	-102	90%	-691	-449	54%
Net cash flow from investing activities	-180	-98	84%	-403	-374	8%
Net cash flow from financing activities	-8	-6	30%	1 495	1 216	23%
Foreign currency effects on cash	1	-1		14	-3	
Net change in cash	-381	-207	84%	416	390	7%
Cash and cash equivalents OB	3 520	2 930	20%	2 723	2 333	17%
Cash and cash equivalents	3 139	2 723	15%	3 139	2 723	15%

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 reduced cash by NOK -8 million (Q4 2021: 17) in the quarter.

The investing activities in the fourth quarter 2022 included net NOK -84 million (Q4 2021: -10) 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 71 million (Q4 2021: 75) in the quarter. Other investment activities included capitalised internal development of next generation fueling stations and electrolysers for a total of NOK 29 million (Q4 2021: 24) this quarter.

Nel reported net finance activities of NOK -8 million (Q4 2021: -6).

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 2022.

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 come first in mature markets, before large greenfield installations integrated with renewable energy sources gradually are expected to become another important market segment.

As customers are increasingly looking to secure supply of electrolysers from high-quality suppliers, fearing that future supply could be constrained, market dynamics have improved for Nel during 2022. 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, and the order book continues to grow.

Nel is in a good position to maintain its lead in electrolysers. Nel's production capability is 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 in the coming periods. Higher revenues in combination with higher margins on individual contracts and improved execution is expected to yield significantly improved profitability in electrolyser in the years to come, as revenue is recognized. 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. Despite the positive market momentum, order intake is likely to vary significantly 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 challenging. Nel has high-quality energy companies on its customer list that believes that tomorrow's heavy-duty vehicles will be powered by green hydrogen. These clients want Nel to continue as a provider of hydrogen fueling equipment to secure sufficient supply and contribute to technology developments. 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 performance of the installed base has been stabilized. Nel is dissatisfied with the profitability in its Fueling division and is considering and implementing operational and strategic actions to improve performance and profitability.

Oslo, 27 February 2023

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	Q4 2022	Q4 2021	2022	2021
Revenue and operating income					
Revenue from contracts with customers		369 480	235 705	914 853	753 096
Other operating income		44 607	12 412	78 728	44 905
Total revenue and operating income	3	414 087	248 117	993 581	798 001
Operating expenses					
Raw materials		166 198	189 161	584 815	551 695
Personnel expenses		193 268	140 053	664 815	472 010
Depreciation, amortisation and impairment	4, 5	374 440	29 041	498 782	107 616
Other operating expenses		271 041	86 559	523 824	249 533
Total operating expenses		1 004 947	444 813	2 272 235	1 380 854
Operating loss		-590 860	-196 696	-1 278 654	-582 853
Finance income	6	30 728	8 498	97 629	28 276
Finance cost	6	-170 480	-92 704	-5 972	-1 129 224
Share of loss from associates and joint ventures		0	-35	0	-35
Net financial items		-139 752	-84 241	91 657	-1 100 983
Pre-tax income (loss)		-730 612	-280 937	-1 186 997	-1 683 836
Tax expense (income)		-9 855	-11 450	-15 828	-16 984
Net income (loss)		-720 757	-269 487	-1 171 169	-1 666 852
Items that are or may subsequently be reclassified to income statement:					
Currency translation differences		-51 641	-9 246	65 035	-7 108
Cash flow hedges, effective portion of changes in fair value		21 098	4 151	-6 900	-3 086
Cash flow hedges, reclassified		-6 635	-7 697	-6 848	-3 244
Other comprehensive income		-37 178	-12 792	51 287	-13 438
Total comprehensive income		-757 935	-282 279	-1 119 882	-1 680 290
Basic EPS (figures in NOK) ¹⁾		-0.46	-0.18	-0.76	-1.15
Diluted EPS (figures in NOK) ¹⁾		-0.46	-0.18	-0.76	-1.15
Weighted average number of outstanding shares (million)		1 563	1 461	1 538	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	31.12.2022	31.12.2021
ASSETS			
Intangible assets	4	934 456	1 144 144
Property, plant and equipment	5	785 488	623 514
Other non-current assets		252 958	95 187
Total non-current assets		1 972 902	1 862 845
Inventories		504 595	328 465
Trade receivables		460 735	211 408
Contract assets		96 322	178 769
Other current assets	6	777 408	702 728
Cash and cash equivalents		3 138 550	2 722 769
Total current assets		4 977 610	4 144 139
TOTAL ASSETS		6 950 512	6 006 984
EQUITY AND LIABILITIES			
Shareholders' equity		5 449 608	5 038 704
Total equity		5 449 608	5 038 704
Deferred tax liability		45 529	48 543
Long-term debt		22 431	23 191
Lease liabilities		170 177	113 505
Other non-current liabilities		71 151	77 989
Total non-current liabilities		309 288	263 228
Trade payables		201 744	132 962
Lease liabilities		30 438	19 916
Contract liabilities		672 291	360 821
Other current liabilities		287 144	191 352
Total current liabilities		1 191 617	705 051
Total liabilities		1 500 905	968 279
TOTAL EQUITY AND LIABILITIES		6 950 512	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)	Q4 2022	Q4 2021	2022	2021
Cash flow from operating activities				
Pre-tax income (loss) ¹⁾	-730 612	-280 937	-1 186 998	-1 683 836
Depreciation, amortisation and impairment	374 440	29 041	498 782	107 616
Change in net working capital ²⁾	-8 458	17 065	37 242	-32 956
Other adjustments ³⁾	170 894	132 905	-39 606	1 159 718
Net cash flow from operating activities	-193 736	-101 926	-690 580	-449 458
Cash flow from investment activities				
Purchases of property, plant and equipment	-71 038	-74 631	-160 486	-258 283
Payments for capitalised technology	-28 873	-23 843	-118 251	-118 870
Purchases of other investments ⁴⁾	-83 851	-9 588	-206 450	-46 966
Investments in other financial assets	-5 296	0	-5 296	-13 125
Disposal of fixed assets	0	10 056	0	26 056
Investments in associates and joint ventures	-1 160	0	-1 160	-1 272
Proceeds from sales of other investments ⁴⁾	9 820	0	88 555	38 844
Net cash flow from investing activities	-180 398	-98 007	-403 088	-373 616
Cash flow from financing activities				
Interest paid ⁵⁾	-3 445	-873	-11 166	-3 678
Gross cash flow from share issues	267	2 101	1 545 866	1 255 103
Transaction costs connected to share issues	-52	-40	-23 426	-15 562
Payment of lease liabilities	-3 969	-4 528	-14 400	-15 467
Payment of non-current liabilities	-1 144	-3 097	-1 889	-4 464
Net cash flow from financing activities	-8 343	-6 437	1 494 985	1 215 932
Foreign currency effects on cash	762	-1 264	14 464	-2 943
Net change in cash and cash equivalents	-381 715	-207 633	415 781	389 915
Cash and cash equivalents beginning of period	3 520 265	2 930 403	2 722 769	2 332 854
Cash and cash equivalents	3 138 550	2 722 770	3 138 550	2 722 769

1) The fourth quarter 2022 includes interest received of NOK 29 million (7).

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 fourth quarter 2022 includes a fair value adjustment of financial instruments of NOK -108 million. The fair value adjustment was NOK -89 million in the fourth 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					-1 171 169	-1 171 169
Currency translation differences				65 035		65 035
Hedging reserve				-13 748		-13 748
Capital increase	20 505	1 501 935				1 522 440
Options and share program		3	-3		8 346	8 346
Equity as of 31.12.2022	312 665	7 098 186	-84	119 878	-2 081 037	5 449 608

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 2022 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 2022.

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 2022 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 2022 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.

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)	Q4 2022	Q4 2021	Change	2022	2021	Change
Revenue and operating income						
Nel Hydrogen Electrolyser	311 478	177 575	75%	748 359	466 246	61%
Nel Hydrogen Fueling	102 609	70 542	45%	245 222	331 754	-26%
Total	414 087	248 117	67%	993 581	798 001	25%
EBITDA						
Nel Hydrogen Electrolyser	-66 461	-70 238		-303 695	-209 681	
Nel Hydrogen Fueling	-115 889	-64 356		-351 703	-168 967	
Corporate ¹⁾	-34 070	-33 061		-124 475	-96 589	
Total	-216 420	-167 655		-779 873	-475 236	
Investments ²⁾						
Nel Hydrogen Electrolyser	90 254	87 106	4%	229 660	318 501	-28%
Nel Hydrogen Fueling	14 953	11 368	32%	54 373	71 778	-24%
Total	105 207	98 474	7%	284 033	390 279	-27%
Total assets ³⁾						
Nel Hydrogen Electrolyser	2 427 284	1 842 251	32%			
Nel Hydrogen Fueling	1 005 347	1 038 376	-3%			
Corporate	3 517 881	3 126 356	13%			
Total	6 950 512	6 006 984	16%			

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)	31.12.2022	31.12.2021	Change
Norway	562 761	461 994	22%
Denmark	111 225	106 262	5%
USA	107 959	49 919	116%
South Korea	3 543	5 339	-34%
Total	785 488	623 514	26%

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	118 251	0	118 251
Reclassification	0	-1 632	0	-1 632
Amortisation	0	-69 313	-13 310	-82 623
Impairment	-296 438	-30 860	0	-327 298
Currency translation differences	46 834	34 362	2 418	83 614
Carrying value as of 31.12.2022	365 580	547 387	21 489	934 456

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	160 486	35 961	196 447
Remeasurements	0	43 117	43 117
Reclassification	1 632	0	1 632
Disposals	-1 854	0	-1 854
Depreciation	-67 503	-21 358	-88 861
Currency translation differences	9 479	2 014	11 493
Carrying value as of 31.12.2022	614 556	170 932	785 488

Note 6 Equity instruments

Everfuel

(Book value in NOK thousands)	Shareholding ¹⁾	Acquisition cost NOK/per share	Fair value NOK/per share	Book value ²⁾
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
Sale of shares Q4 2022	-218 854			-9 820
Fair value adjustment Q4 2022			-8.60	-104 325
Carrying value as of 31.12.2022	12 140 255	1.12	35.90	435 835

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 NOK/per share	Fair value NOK/per share	Book value ²⁾
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
Fair value adjustment Q4 2022			-0.38	-3 677
Carrying value as of 31.12.2022	9 804 000	0.06	1.48	14 461

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 20, 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.

On 24 January 2023, Nel has divested all its shares in Hyon AS for a total net consideration of about NOK 7 million.

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:

Q4 2022 Report

Published date:

27.02.2023

info@nelhydrogen.com

+47 23 24 89 50

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

The publication can be downloaded on

[nelhydrogen.com](https://www.nelhydrogen.com)