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2022
Annual report

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1 Letter from the CEO

A BIGGER, BETTER, MORE FOCUSED COMPANY

An important year

2022 was the year the hydrogen industry made the definitive transition from small to large-scale projects. According to Nel's research, orders for almost 5 GW of electrolyser capacity were announced.

Multiple factors contributed to this important transition: policymakers in the USA and European Union increased production targets and improved support schemes for renewable hydrogen projects; banks and financial institutions gained more experience and understanding of renewable hydrogen, making it easier for hydrogen producers to finance their business plans; and green hydrogen producers were able to secure attractive long-term power purchase and offtake agreements with end-customers.

At Nel, we also made the giant leap from small to large-scale projects. Our order backlog more than doubled in 6 months on the back of several exciting contracts. Consequently, we continued to add substantial new production and project execution capacity.

- In March, we inaugurated the world's first fully automated electrolyser manufacturing plant at Herøya in Norway. The Norwegian Minister of Petroleum and Energy gave the opening speech before 150 customers and partners. We are happy to see that what we do is recognized and appreciated by policymakers and customers, and that our Herøya facilities set us apart from competition.

- In July, we signed a contract to supply 200 MW of electrolyser equipment to a US customer. Only a few months later, we received another large-scale contract from Woodside Energy and a 40 MW contract from Statkraft. These contracts are essential milestones on Nel's journey to large-scale electrolyser leadership.

- In November, we signed a joint development agreement with General Motors, a company with extensive experience in fuel cell technology development. The purpose of the collaboration is to combine the two companies' expertise to develop Nel's PEM (Proton Exchange Membrane) electrolyser technology, with an aim to reduce the cost of hydrogen at the pump for GM's vehicles.

- In December, we received a capacity reservation contract for 16 hydrogen refueling stations from a US customer. This is one of the most significant reservations of refueling stations we have ever received. What an excellent way to end the year!

Only the beginning

Green hydrogen is a powerful tool for addressing two of the most pressing challenges the world is facing today – ensuring reliable energy supply and fast-forwarding decarbonization initiatives.

First, green hydrogen offers a way to transport renewable energy from where it is possible and cheap to produce to where it is needed and consumed. Hydrogen is an energy vector that will help balance supply and demand in a global energy market where trade flows and rules are redrawn.

Second, green hydrogen is a prerequisite for decarbonizing hard-to-abate industries such as ammonia, methanol, refinery, steel, aviation, shipping etc. where direct electrification is complicated or even impossible.

The pipeline of new large-scale green hydrogen projects is growing rapidly driven by these megatrends. Demand is expected to increase further driven by the US Inflation Reduction Act and the legislative and financial support packages proposed by the EU Commission. I think that everyone can agree that this development is good; we don't have much time to decarbonize our industries and outcompete fossil fuels.

At the same time, the transition from small to large-scale projects implies significant investments. The costs related to the scale-up are real and evident in our bottom-line for the year. Clearly, continuing along this trajectory for many years is not sustainable. We need a path to industry leadership that also allows Nel to become profitable, and this is outlined in our business strategy coined "bigger better focused".

A pathway to industry leadership and profitability

Bigger. A market study conducted by Nel shows that large-scale electrolyser projects will account for almost 90% of demand from 2025. Similarly, in fueling, heavy-duty vehicles are expected to become the most promising segment.

Nel will therefore concentrate on large-scale electrolyser projects and high capacity fueling stations for high-volume customers. We will continue to scale up our electrolyser production capacity, both in Norway and in the US, as higher volume is key to unlocking profitability and building trust with customers. For Nel increasing volume is important as it enables better resource utilization and hence higher margins. For customers "seeing is believing" as they tend to place orders with companies that can back up production and delivery schedules with real assets.

Better. Being big is essential, but not enough to win in the market. Nel must also have the best technology in terms of total cost of ownership for the customer. Consequently, Nel will continue to invest in research and development to improve the efficiency (OPEX) and cost (CAPEX) of its equipment. The joint development agreement with General Motors is an example of such an investment. Besides enabling more green hydrogen projects to become viable without subsidies over time, continuous efficiency and cost improvements are key to keeping healthy margins over time.

Better also means that Nel must continue to improve other aspects of its business than technology. We need to mature, improve and professionalize how we work to create added customer value and improve profitability. Every year we hire many skilled employees with backgrounds and references from other industries we can learn from.

Focused. We cannot be the biggest and best at everything. To achieve a leading industry position and make Nel profitable, we must concentrate on what we really do well and not spread ourselves too thin. Creating sufficient focus in Nel is, simply put, one of my top priorities going forward.

In Electrolyser, Nel has narrowed its scope of supply from providing complete hydrogen plants worldwide to delivering electrolyser stacks and gas separation modules to customers in Europe and North America. The remaining scope is now delivered by strategic EPC (Engineering, Procurement and Construction) partners. This scope split allows Nel to deliver standardized solutions with less risk and higher margins.

In Fueling the product portfolio will be reduced and the focus will be on developing a high-capacity solution for European and North American volume customers. Development and production of certain modules will also be outsourced to world-class external partners.

At the grand opening of the Herøya plant I had not yet joined Nel officially, but I was there in the audience. I was impressed by what the Nel team had carried out so far and felt motivated by the company's mission to "unlock the potential of renewables and enable global decarbonization."

Now, just over half a year later, I have an even stronger belief in Nel. This belief rests on the role green hydrogen will play in the global energy transition and decarbonization efforts, the vast potential for cost and efficiency improvements that will make green hydrogen competitive with fossil fuel, and the ongoing industry scale-up that will enable large projects all over the world. Most importantly, my belief rests on my 600 colleagues in Nel, who undoubtedly have the industry's deepest hydrogen knowledge. Together we will make Nel a bigger, better, and more focused hydrogen technology company.

Best regards,
Håkon Volldal, CEO

PIONEERING RENEWABLE HYDROGEN FOR MORE THAN 90 YEARS

- **2022** Signed the first large scale 200MW electrolyser contract
- **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.


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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 IMD 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.

HANNE BLUME, BOARD MEMBER

Ms. Blume (born 1968) is the CHRO in DOVISTA and has previously held the position as CHRO in TDC, Ørsted and DONG Energy, vice president in QHSE and different management positions in the energy sector. 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. Ms. Blume has been a board member since 2019 and currently chairs Nel's Remuneration Committee.

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 start-ups. 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.

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.

BEATRIZ MALO DE MOLINA, BOARD MEMBER

Ms. Beatriz Malo de Molina (born 1972) is a professional advisor to management teams and board member. Beatriz has served as Senior Vice President and Head of M&A at Orkla ASA and has held positions at Kistefos Private Equity and McKinsey & Co in Oslo, after a ten year career in the Investment Banking Division of Goldman, Sachs & Co. in London, Frankfurt, New York City and Mexico City. Ms. Malo de Molina began her career in 1994 within Ernst & Young's financial advisory department in New York City.

Ms. Malo de Molina has board experience from publicly listed and privately held companies both in Norway and internationally, including chairmanship positions. Beatriz graduated summa cum laude from Georgetown University in Washington D.C., attended the Haupt- und Wirtschaftsuniversität in Vienna and holds a Master's degree in Philosophy from the Law Faculty at UiO in Oslo. Ms. Malo de Molina is a Spanish citizen and has been a resident of Norway since 2006. Ms. Malo de Molina has been a board member since 2017 and currently chairs Nel's audit, risk and sustainability committee.

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 of HI Entreprenører AS. He has previously held board positions in Det norske oljeselskap ASA (Aker BP ASA), Aibel AS, 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.

JON ANDRÉ LØKKE, BOARD MEMBER

Jon André Løkke (born 1970). Former Chief Executive Officer (CEO) of Nel ASA, as position Mr. Løkke held from 2016-2022. Prior to joining Nel, Mr. Løkke was the CEO of Norsk Titanium AS 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. Mr. Løkke is currently a board member of Tunable AS and Bergen Carbon Solutions AS. He holds an International MBA degree from Glasgow University and a bachelor degree in business and economics from Southampton University. He is a Norwegian citizen and resides in Oslo. Mr. Løkke has been a board member since 2022.

3 Management

HÅKON VOLLDAL, CHIEF EXECUTIVE OFFICER

Håkon Volldal (born 1976) was appointed CEO effective 1 July 2022. Mr. Volldal has previous experience as Executive Vice President at TOMRA, and later as President and CEO of Q-Free ASA, creating intelligent technology solutions for efficient, safe, and sustainable transportation. Mr Volldal holds an MSc in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU) and is a Norwegian citizen.

KJELL CHRISTIAN BJØRNSEN, CHIEF FINANCIAL OFFICER

Kjell Christian Bjørnsen (born 1976) 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), and is a Norwegian citizen.

CAROLINE DUYCKAERTS, CHIEF HR OFFICER

Caroline Duyckaerts (born 1970) 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 holds a Master of Engineering and Business Administration from HEC Liège, complemented with an education as executive coach, and is a Belgian citizen.

FILIP SMEETS, CHIEF COMMERCIAL OFFICER

Filip Smeets (born 1963) 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, and is a Belgian citizen.

ROBERT BORIN, SENIOR VICE PRESIDENT FUELING

Borin (born 1977) 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, and is a Swedish citizen.

STEIN OVE ERDAL, VICE PRESIDENT LEGAL AND GENERAL COUNSEL

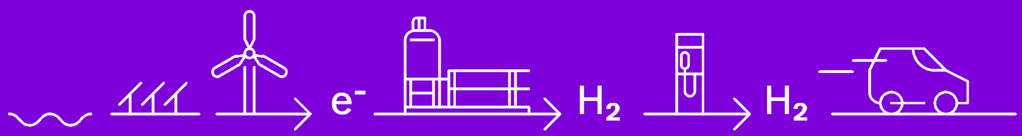
Stein Ove Erdal (born 1979) joined Nel as Vice President Legal and General Counsel in May 2019. Erdal comes from a position as an Associate General Counsel in Nexans Norway AS where he worked for nine years with complex offshore EPCI and EPC projects. He also has experience from working as a lawyer in 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, and is a Norwegian citizen.

HANS H. HIDE, CHIEF PROJECT OFFICER

Hans H. Hide (born 1965) 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. He holds an MSc in Process Technology and Process Control from Telemark College of Engineering, and is a Norwegian citizen.

ESA LAUKKANEN, CHIEF COMMERCIAL OFFICER

Esa Laukkanen (born 1966) was appointed COO in August 2022. Esa has a background from leading global operations, industrialization and automation processes, having worked for twenty years in ABB, and later leadership of products, operations, and technology of automated systems at Jepptech. Mr. Laukkanen holds an MSc in Industrial Engineering from Lappeenranta University of Technology, and is a Finnish citizen.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4 Report from the Board of Directors

Highlights

- Revenue and other operating income increased by 25% from 2021 to 2022.
- 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 recognise an impairment of other intangible assets in Fueling by NOK 31 million.
- Year-end cash balance of NOK 3 139 million (2021: 2 723). Nel raised NOK 1 500 million in gross proceeds in a private placement on 23 March 2022.
- Order intake in 2022 was NOK 2 275 million (2021: NOK 967 million) which resulted in a record-high order backlog at end of 2022 of NOK 2 613 million, up 112% from 2021.
  - Received purchase order of NOK 600 million from Woodside Energy for delivery of alkaline electrolyser equipment in the U.S.
  - Received purchase order for 200 MW alkaline electrolyser from an undisclosed US customer. The contract value is approximately EUR 45 million.
  - 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.

SUBSEQUENT EVENTS

- 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.
- On February 6, 2023, Nel received purchased order from HyCC with a value of approximately EUR 12 million.

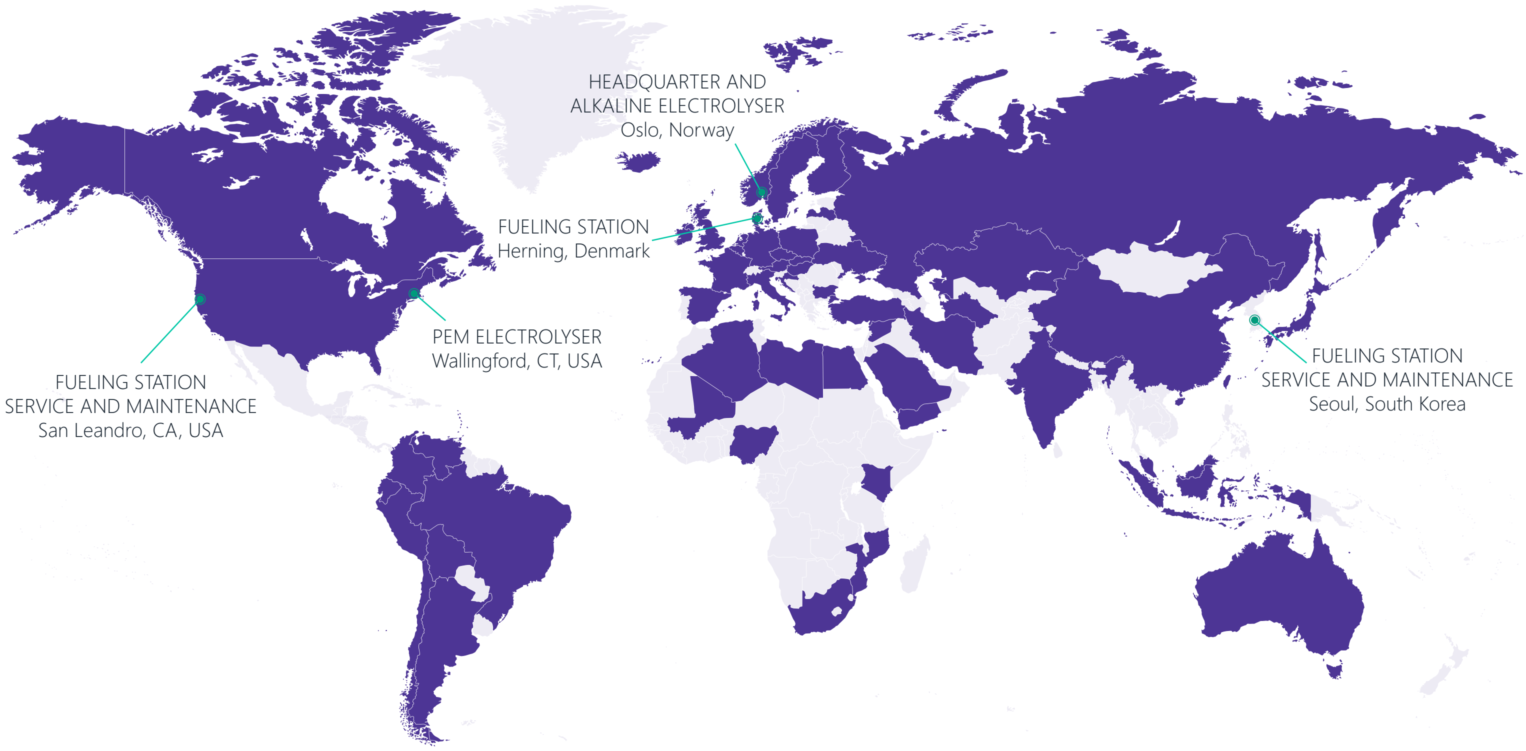
KEY FIGURES

PERFORMANCE MEASURES	2022	2021	2020
Revenue and operating income	994	798	652
Operating expenses	2 272	1 381	1 066
EBITDA	-780	-475	-252
Operating loss	-1 279	-583	-414
Pre-tax income (loss)	-1 187	-1 684	1 246
Net income (loss)	-1 171	-1 667	1 262
Net cash flow from operating activities	-691	-449	-216
Cash balance end of period	3 139	2 723	2 333
Order intake	2 275	967	1043
Order backlog	2 613	1 230	981
TRIF[1)]	11.5	4.9	11.2
Number of fatal accidents	0	0	0
Number of employees	603	507	393
Women in executive management	11.1%	10.0%	12.5%
GHG intensity (excluding scope 3)	1.64	2.69	2.18
Alkaline OEE [2]	70%	50%	na
Alkaline stack yield [3]	>90%	>80%	>80%
PEM stack yield [4]	95%	95%	95%

[1] Total recordable injuries frequency (TRIF) is measured as total recordable injuries per million hours worked.
[2] Overall equipment effectiveness (OEE) considers all of availability, performance and quality.
[3] Yield is defined as a complete product that is quality approved (without repair and rework) and ready for the customer. Material from a not approved product is reused.
[4] Yield is defined as a complete product that is quality approved (without repair and rework) and ready for the customer. Platinum is recovered.

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.

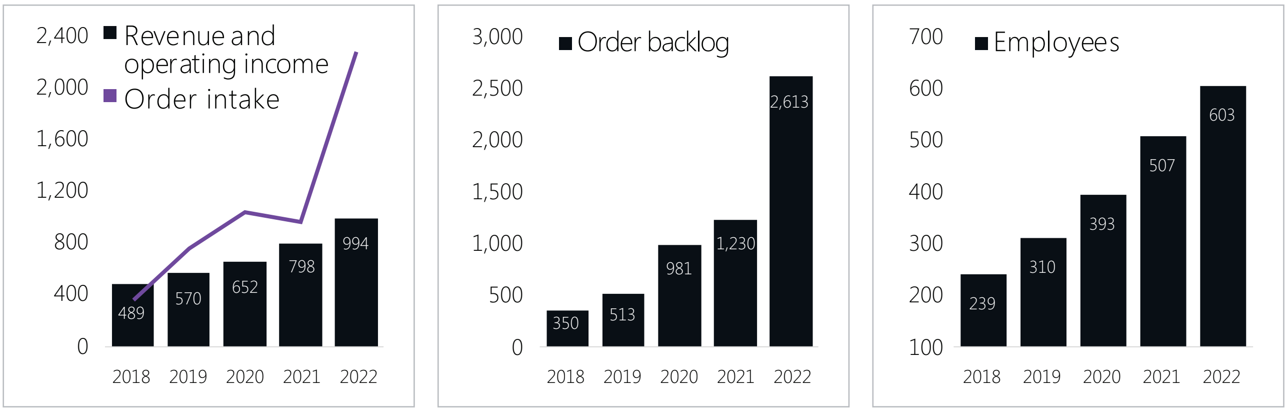
4.1 Financial development

Group

FINANCIAL REVIEW

Amounts in NOK million	2022	2021	2020
Revenue and operating income	994	798	652
Operating expenses	2 272	1 381	1 066
EBITDA	-780	-475	-252
Operating loss	-1 279	-583	-414
Order intake	2 275	967	1043
Order backlog	2 613	1230	981
Number of employees	603	507	393
Total assets	6 951	6 007	6 137

REVENUE & ORDER INTAKE, ORDER BACKLOG AND EMPLOYEES



INCOME STATEMENT

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 impacted the results for 2022.

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.

To succeed, Nel must focus on its strengths. 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. Giving up some of the scope will reduce execution risk and improve margins for the equipment produced and sold. Additionally, since summer of 2022 Nel has shifted away from fixed-price contracts, minimizing commodity and currency exposure, which will provide more visibility on nominal margins, and reduce the overall contract risk. 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 reported revenue and operating income in 2022 of NOK 994 million, up 25% from NOK 798 million in 2021. The growth is the result of Nel Hydrogen Electrolyser's revenue increasing 61%, while Fueling declined 26%. Electrolyser is the largest segment in Nel and now constitutes 75% of Nel's total revenue in 2022, up from 58% in 2021.

Order intake in 2022 was NOK 2 275 million (2021: NOK 967 million) which resulted in a record-high order backlog at end of 2022 of NOK 2 613 million, up 112% from 2021. The backlog only includes firm purchase orders with agreed price, volume, timing and terms and conditions. The increase in order backlog is mainly explained by the two record-size purchase orders for delivery of alkaline electrolyser equipment in the US, with values of NOK 600 million and EUR 45 million. The delivery of electrolyser equipment, and the recognition of revenue related to these orders is expected in 2023 and 2024.

Raw materials expenses totalled NOK 585 million (552), an increase of 6% from 2021. The increased raw materials expenses are related to the 21% increase in revenue from contracts with customers.

Personnel expenses amounted to NOK 665 million (472). The 41% increase compared to 2021 is mainly explained by a higher number of employees, up from 507 employees by the end of 2021 to 603 at the end of 2022. Other operating expenses also increased 110% and totalled NOK 524 million (250) for the year. The high level of personnel and other operating costs are the results of Nel's strategic decision to continue to invest in growth and higher activity levels. The employees added are experienced project, production and technology personnel.

EBITDA ended at NOK -780 million (-475), negatively impacted by costs for scaling the organisation for growth as mentioned in the section above for personnel expenses and other operating expenses. The EBITDA is also negatively impacted by Nel's customer projects often including new geography, customer segments, technological components and/or products leading to additional costs and risk. Nel is intent on improving its project execution capabilities, which are still experiencing significant inefficiencies and cost overruns in this early stage of market development.

Depreciation, amortisation and impairment increased to NOK 499 million (108), mainly driven by the 2022 impairment of goodwill and technology in Fueling of NOK 327 million. In addition, Herøya manufacturing facility commenced depreciation of NOK 46 million in 2022.

As a result of all of the above, the operating loss amounted to NOK -1 279 million (-583).

Net financial items amounted to NOK 92 million (-1 101). Nel received NOK 72 million in interest from banks in the current year in comparison to NOK 20 million in 2021, caused by the increased interest rates for NOK in particular. The negative 2021 financial items were driven by a negative fair value adjustment of shareholdings in Everfuel and Nikola, totalling NOK 1 121 million. Pre-tax loss totalled NOK -1 187 million (-1 684) and the net loss for the year was NOK -1 171 million, compared to a loss of NOK -1 667 million in 2021.

Financial position

Total assets were NOK 6 951 million at the end of 2022, compared to NOK 6 007 million at the end of 2021. Total equity was NOK 5 450 million. Thus, the equity ratio was 78%.

Cash flow

Net cash flow from operating activities in 2022 was NOK -691 million, compared to NOK -449 million in 2021. The development is mainly due to higher personnel expenses driven by an increase in full time employees. Net cash flow from investing activities was NOK -403 million (-374). Nel has purchased property, plant and equipment for NOK 160 (258) million in 2022, mainly related to the expansion at Herøya, Norway, in the electrolyser division.

Nel's cash balance at the end of 2022 was NOK 3 139 million (2 723). The increase from end of 2021 is mainly due to raising gross proceeds of NOK 1 500 million from the share capital increase in March, offset by negative cash flow from operations and investments.

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 financial statements have been prepared on the assumption of a going concern.

Nel Hydrogen Electrolyser

Financial review

Amounts in NOK million	2022	2021	CHANGE
Revenue and operating income	748	466	61%
Operating expenses	1 168	737	59%
EBITDA	-304	-210	
Operating loss	-420	-271	
Order intake	1 978	763	159%
Order backlog	2 224	937	137%
Number of employees	304	240	27%
Total assets	2 427	1 906	27%

The electrolyser segment received two record-size purchase orders in 2022, both of which will be delivered in 2023 and 2024 and are therefore reported as order backlog. The 137% increase in order backlog compared to end of 2021 is mainly explained by these two US orders for alkaline electrolyser equipment, with values of about NOK 600 million and EUR 45 million.

Nel Hydrogen Electrolyser reported revenue and operating income 61% higher than in 2021. Growth in alkaline electrolysers was strong as Nel continued the deliveries of electrolyser systems from the manufacturing facility at Herøya according to plan. Revenues from sales of alkaline electrolysers increased 506% compared to 2021, while sales of PEM electrolysers were stable, decreasing 1% from 2021 driven by supply chain challenges. Nel is currently recognizing revenue and other financial results from projects signed in previous years when market conditions were less favourable than today.

EBITDA for the year was NOK -304 million (-210). EBITDA decreased as establishing project execution protocols, partnerships and systems is at an early stage at Nel. 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 past year.

Electrolyser continued its scaling activities including a 27% increase in number of employees. Nel is preparing the delivery of large-scale projects in the coming years, two of which have already been signed.

DEVELOPMENT AND KEY PROJECTS

Technology development

As the renewable hydrogen industry continues to develop, Nel is at the forefront of the industrialization of electrolyser production and of product development within several electrolyser technologies. Nel is continuing to invest in the development of large-scale industrialisation of electrolyser products. In addition, Nel is working to develop a pressurized alkaline Electrolyser which could generate additional demand globally given the technical advantages of this product. Also, further development of the current atmospheric alkaline technology towards larger capacity solutions is ongoing. Finally, in order to meet new large-scale opportunities within the PEM portfolio, Nel is developing a larger single cell-stack PEM platform. All of these three development activities target increases in functionality and decreases in total cost of ownership for our current and future customers, and are intended to increase demand for our products globally.

Production capacity development

- Alkaline Water Electrolyser ("AWE")
  - Official opening of the first 500 MW line at the Herøya facility on April 20, 2022
  - 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 project orders. The line operated at 3-shift operation in most of 2022, and towards the end of the year operators were recruited and trained to go to continuous operation from January 2023.
  - In an effort to meet the global ambitions for renewable hydrogen, Nel initiated a continued expansion at Herøya in Norway with an additional 500 MW alkaline production line, expected to be operational from April 2024. 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. The carrying amount for the Herøya second line expansion is NOK 55 million as of 31 December 2022. Total contractual commitments beyond December 2022 for the second line are NOK 230 million, including purchase contracts for all the physical equipment needed.
  - Further capacity expansion will be closely aligned with commercial backlog. Nel has ordered building modifications at Herøya and long-lead time items for two additional lines to prepare for further expansion.

  Proton Exchange Membrane ("PEM")
  - 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.

- Entered into a joint development agreement with General Motors to help accelerate the industrialisation of Nel's PEM electrolyser platform. In Q1 2023 Nel has taken the investment decision to improve the production line in Wallingford substantially, introducing automated stack assembly, sputtering, roll-to-roll etc. This will increase PEM production capacity up to 500 MW, while at the same time reducing stack cost and improve stack efficiency.
- As a result of the above, Nel have initiated the site selection process for large-scale technology production facility for both PEM and alkaline, to be located in the United States.

Key commercial activities

- Order intake in 2022 was NOK 1 978 million (2021: NOK 763 million) which resulted in a record-high order backlog at end of 2022 of NOK 2 224 million, up 137% from 2021.
- Nel Hydrogen Electrolyser received large purchase orders for:
  - An alkaline electrolyser to Woodside in the U.S. providing renewable hydrogen to fuel cell vehicles.
    Value approximately NOK 600 million.
  - An alkaline electrolyser in the U.S. for industrial application.
    Value approximately EUR 45 million.
  - An alkaline electrolyser to Statkraft in Norway.
    Value approximately NOK 120 million.
- Other purchase orders include:
  - Multiple PEM electrolysers to several customers. The offtake from the renewable hydrogen production in these contracts is for transportation (land and aviation) and food production.
    Value approximately USD 17 million.
  - Multiple alkaline electrolysers to several customers. The renewable hydrogen will be used in refinery and ammonia production, amongst other.
    Value approximately EUR 14 million.

SUBSEQUENT EVENTS

- 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.
- Investment decision to increase PEM nameplate production capacity at the Wallingford site to ~500 MW. Total capital expenditures estimated to be around NOK 260 million, and estimated to be at full capacity in 2025.
- Received purchased order from HyCC for 40 MW alkaline electrolyser equipment for the H2eron project in Delfzilj, Netherlands, focusing on emission reduction for the aviation sector. The value is approximately EUR 12 million.

Nel Hydrogen Fueling

Financial review

Amounts in NOK million	2022	2021	CHANGE
Revenue and operating income	245	332	-26%
Operating expenses	972	541	80%
EBITDA	-352	-169	
Operating loss	-726	-209	
Order intake	297	205	45%
Order backlog	388	293	32%
Number of employees	269	240	12%
Total assets	1 005	1 038	-3%

Although Nel Fueling continues to work with potential large framework orders, the division has had a low order intake for a longer period. Revenues were further suppressed by supply chain disruptions, which resulted in longer delivery times. Therefore, revenue for the year declined 26% compared to 2021, while order backlog increased 32%. In the fourth quarter, Nel Fueling entered into a substantial capacity reservation agreement that is expected to lead to a firm purchase order in 2023.

Gross margin 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 EBITDA was NOK -352 million (-169) in 2022. Fueling EBITDA decreased compared to 2021 due to lower revenues, high quality costs, and an increase in personnel expenses resulting from a 12% increase in the number of employees as well as higher overtime and travel expenses. The results are unsatisfactory and Nel is intensifying actions to improve the performance and profitability of this division.

Operating expenses of NOK 972 million in 2022 (compared to NOK 541 million in the prior year) were negatively impacted by a NOK 327 million impairment of goodwill and technology. Other increases in operating expenses include 12% increase in employees.

Fueling impairment

As mentioned above, there are negative financial development in revenues, gross margin and EBITDA for the Fueling division during the year and Nel expects these challenges to continue. The annual impairment test performed include assumptions impacted by the current financial performance and a delayed growth trajectory. The 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 loss in 2022 for Fueling of NOK -726 million (-209) includes the negative impact of a total of NOK 327 million in impairment expenses for the year. No impairments have been previously made to the Fueling division.

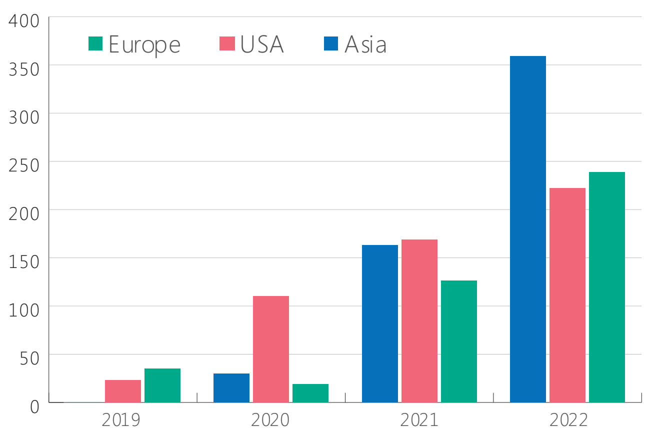
DEVELOPMENT AND KEY PROJECTS

Technology development

Nel Hydrogen Fueling continues to see 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. The company will focus on developing its core technology with special focus on high-pressure compression, cooling and control. Nel will continue to incur research and development costs in an effort to advance hydrogen-fuelled transportation as a viable and reliable option across the globe.

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 Heavy-Duty Vehicle ("HDV") equipment such as

TONNES OF H2 FUELED FROM NEL H2STATION®



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. Nel fueling continues to be one of the world's leading innovators and equipment providers in this important sector.

Production capacity development

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

Key commercial activities

- Order intake in 2022 was NOK 297 million (2021: NOK 205 million) which resulted in a record-high order backlog at end of 2022 of NOK 388 million, up 32% from 2021.
- Nel Hydrogen Fueling received large purchase orders for:
  - 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 additional USD 10 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.
- Other purchase orders for:
  - Several H2Station™ modules in Paris, France, fuelling the world's largest fleet of hydrogen taxis.
  - One H2Station™ hydrogen fueling module from HTEC in Canada. Value approximately USD 1.5 million.
  - Two H2Station™ fueling systems from a European client. Value approximately EUR 3 million.
  - Hydrogen fueling equipment from Biproraf in Poland. Undisclosed value. Multiple H2Station™ units from a European client. Value approximately EUR 8 million.

Corporate developments

- Nel appointed Håkon Volldal as new Chief Executive Officer (CEO) from July 1, 2022.
- Nel raised NOK 1,500 million through a private placement in March 2022
- Subsequent event: In January 2023, Nel sold all its shares in Hyon AS for a total net consideration of about NOK 7 million.
- During 2022, Nel has divested all its shares in Nikola Corporation for a total net consideration of about NOK 72 million.

70MPa CAR Dispenser

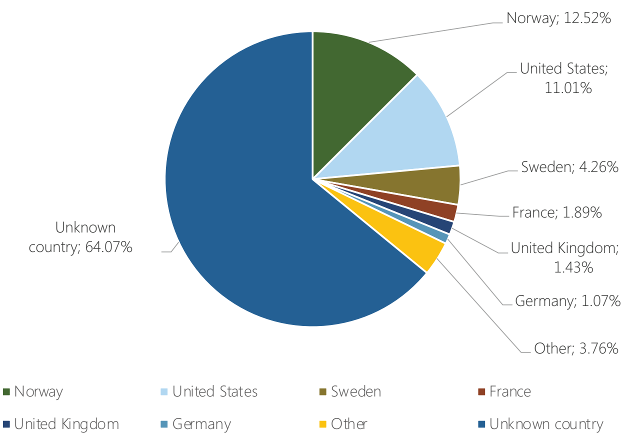
SHAREHOLDERS AND FINANCING

Nel's shares are listed on the Oslo Stock Exchange under the ticker "NEL". At the end of 2022, the company had 1 563 325 304 issued shares, consisting of 1 562 907 271 outstanding shares and 418 033 treasury shares, held by 27 544 known shareholders in addition to a substantial number of unknown shareholders owning shares through custodians (for example, through Clearstream Banking). The list of 27 544 known shareholders includes a considerable number of Nordic institutional investors and private investors, while Nel's investigations into the unknown shareholders through custodians indicate that these seem to be a large number of shareholders largely based in Continental Europe.

The nominal value of the Nel share is NOK 0.20 per share.

The company has placed considerable emphasis on providing shareholders, stakeholders and investors in general, with timely and relevant 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.

Distribution of shareholders



source: Modular Finance AB

STRATEGY

Nel has a history tracing back to 1927 and is today a leading pure play hydrogen technology company with a global presence. The company specializes in electrolyser technology for production of renewable hydrogen, and hydrogen fueling equipment for road-going vehicles. Nel's product offerings are key enablers for a green hydrogen economy, making it possible to decarbonize various industries such as transportation, refining, steel, and ammonia.

Governments and companies continue to focus on their energy transition and greenhouse gas reduction roadmaps. For many, renewable hydrogen is an integral part of the strategy. Nel is working to meet this rising demand by investing significantly in developing reliable, efficient, and affordable energy solutions that support environmentally sustainable activities.

NEL DIVISIONS' STRATEGIES

Nel operates in two separate divisions, Nel Hydrogen Electrolyser, producing electrolysers for hydrogen production and Nel Hydrogen Fueling, producing hydrogen fueling stations for cars, buses, trucks, and other applications. Serving different markets, each division develops and executes its own strategy.

NEL HYDROGEN ELECTROLYSER

During 2022, the Nel Electrolyser division developed its 2025 strategy: Bigger, Better, Focused. In a market characterized by rising demand for renewable hydrogen solutions, the strategy focuses on maintaining Nel Electrolyser's market leadership position.

Nel Electrolyser's analysis of the market is in line with the industry trend reports, showing that investments in electrolyser projects will continue to grow significantly in the coming years. While today, some of Europe's largest installed hydrogen plants are approximately 20 MW in size, future production plants are expected to scale to hundreds of MW and then to GWs over the next years. Nel Electrolyser will pursue a broad market strategy, with a view towards winning large-scale orders.

The fully-automated production facility in Herøya, Norway made Nel Electrolyser an early mover in the industrialization of electrolyser production. To enable future growth and decrease cost through scale, volume and automation, Nel Electrolyser plans to further expand its production capacity in Europe and North America.

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.


Photo: Ferenc Horvath

Nel Electrolyser is the leading global electrolyser manufacturer, offering both AWE (alkaline water electrolysis) and PEM (proton exchange membrane) technology globally. Nel's electrolyser technologies have improved continuously and set the industry standard for performance and total cost of ownership. Key to Nel's strategy is to continue to improve and standardise current AWE and PEM products for different operating conditions, as well as to develop adjacent technologies.

Nel expects to sell and deliver directly primarily in Europe and North America over the next couple of years until larger projects in other projects starts to materialize. As many of the largest projects are likely to be located in geographical areas with abundant resources of wind and solar energy, reducing electricity prices and carbon footprint, important export markets longer term is expected to include Chile and Australia. Nel Electrolyser has a partnership strategy and a network of agents across the globe to service other geographical markets.

In addition, for larger capacity projects Nel is narrowing its scope of supply, concentrating on offering high-efficiency/low-cost cell stacks and gas separation units. Working closely with selected EPC, energy providers and downstream technology partners enables Nel to respond to customer requests outside Nel's preferred scope.

NEL HYDROGEN FUELING

Nel Hydrogen Fueling is a leading manufacturer of hydrogen fueling stations that provide FCEVs (Fuel Cell Electric Vehicles) with fast hydrogen fueling. The Nel H2Station™ manufacturing plant and headquarter is in Herning, Denmark, while Nel Hydrogen Fueling also has installation and service organizations in South Korea, California, U.S. and in Europe.

Since Nel began manufacturing hydrogen fueling stations in 2003, there has been significant investment into research and development, and Nel Hydrogen Fueling was among the first to achieve compliance with the international hydrogen fueling standard (SAE J2601) required by major car manufacturers.

The H2Station™ technology is now being utilized daily in several European countries as well as in South Korea and California, and in the U.S., providing fueling stations to mainly light duty vehicles (such as passenger vehicles) as well as for heavy-duty vehicles (such as buses and trucks).

There are ongoing strategic considerations on how to best capitalize on a highly experienced workforce and market-leading hydrogen fueling technology. Going forward, the company will focus on developing high capacity fueling stations for heavy-duty transportation, phase out old product platforms and old technology, and cultivate a smaller and better product portfolio. From now on, the company will focus on developing its core technology with special focus on high-pressure compression, cooling and control. Furthermore, Nel will collaborate closely with world-class partners on other components to offer the best product, reduce technology risk, and improve overall profitability.

CLIMATE-RELATED SCENARIO RESILIENCE IN NEL'S STRATEGY

Considering that 100 % of Nel's revenue comes from renewable hydrogen technology, the resilience of Nel's strategy within the different climate-related scenarios is robust. Key considerations are how fast our customers' industries will grow and develop, how complex and price competitive green technology will be, and developments within renewable energy and the related grid. Nel's 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 water electrolysis there are significant opportunities to transition the existing market into being increasingly renewable. In addition, we see regulations supporting the transition across the globe, with the EU and the US pledging hundreds of billions of dollars into zero-emission programs where hydrogen is the energy carrier of choice. Growth is expected not only to come from industrial applications, but also from currently transitioning diesel-based heavy-duty transportation into zero-emission renewable hydrogen. In order to meet cost-efficiency comparisons with diesel, these developments will require low-cost electrolysis and ultra-fast fueling, both areas where Nel is the global leader.
There is significant uncertainty associated with the timing and pace of the growth expected in the hydrogen industry as it relates to renewable energy (as storage or carrier), the decarbonization of industrial activity (in refinery, steel or fertilizer production), and transportation (heavy duty or other). There is a risk that Nel is moving either too quickly or too slowly, meaning we are either over- or under investing in assets, technology and/or human capital development. Nevertheless, the global focus on addressing climate change through decarbonization is the megatrend that underpins our current strategy, and which is being supported by our increasing levels of multi-year order intake.

STRATEGIC ALLIANCES

Cooperation is vital in a rapidly growing renewable hydrogen industry. Combining resources, expertise and knowledge is a key enabler that allows us to improve our entire value chain effectively and rapidly, from engineering and procurement through installation, service, commissioning 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, with partners that share our values and commitment to customer dedication. We are actively pursuing new alliances in all areas of our business.

Some of our alliances include:

- EPC-partners: Enabling turnkey solutions for large scale hydrogen production facilities with predictable project execution.
- Energy sources: Working with solar, wind and other technology providers to optimize the interface between renewable energy and electrolysis and optimizing the cost of renewable hydrogen production through seamless operation between the power supply and the electrolysis process.
- 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 several associations with a national, European and global footprint. Our presence in these associations enables us to communicate our position, market our technologies and support the development of appropriate hydrogen legislation and regulation.

Some of our memberships include:

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

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 implemented quality-assurance systems 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 and make investments ahead of actual market demand and revenue recognition, balanced with the need to appropriately allocate capital and demonstrate a viable business model, 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. Other technologies under development could potentially make renewable 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.

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 existing customers. A number of Nel's existing and potential customers are themselves planning for 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 and raw materials. 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.

CLIMATE-RELATED RISK FACTORS

Nel assesses climate transition risks into two major categories: (1) risks related to the transition to a low-carbon economy and (2) risks related to the physical impacts of climate change.

Nel constantly monitors product failure and technology obsolescence. There is a risk of reputational damage from product failure and failure to meet high expectation from our customers that Nel's technology will deliver efficient products within an acceptable price range.

Local authorities and governments have an important role in the renewable hydrogen sector by enacting legislations that support research and innovation and scalable investments in production and infrastructure. Reduced and/or delayed support from governments will halt the developments of the renewable hydrogen industry. In 2022, the United States took an important step by enacting the Inflation Reduction Act of 2022 and we believe that other developed countries and the European Union can enact similar legislations between 2023-2025.

Raw materials supply issues could surface when the value chain experience exponential growth driven by efforts to abate climate change. For example, raw material Iridium is important for the manufacturing of PEM electrolysers. The total supply is limited and a significant reduction of Iridium consumption in PEM products and very high recycling rates will be necessary to reduce the risk. Our net zero target by 2050 depends on the supply of green steel sources for our production chain.

No physical risks from i) temperature increases, or associated changes ii) weather patterns, sea levels, ecology or human habitation. Nel's electrolysers requires water and may not be relevant to geographies with water stress prior to additional investments.

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

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 expected by our key stakeholders. Nel strongly believes that the renewable hydrogen market has a potential of great 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, new markets and larger order sizes were a few of the highlights of this past year, signalling an important increase in demand. Combined with an ambitious strategy of drastically reducing the total cost of ownership (TCO) to customers, we have established a solid framework for our technology, engineering and production divisions for the years to come. We must ensure that sustainable business practices are guiding our operations, with scalability, cost-leadership and world-class safety at our core. During the ramp-up stage of our business, taking a precautionary principal approach is necessary to promote sustainability within the organization. Moving forward, our global presence, coupled with strong financing, will help us remain the preferred partner.

FINANCIAL 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.

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 Environmental, Social and Governance report

Nel is reporting on sustainability 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.

ESG POLICY

At Nel, sustainability is an integral part of the identity. The vision is to empower generations with clean energy forever. This vision is driving ambitions and priorities. Combating climate change is high on the corporate agenda, and sustainability is always incorporated into the strategic decision-making processes. The Board of Directors (BoD) is responsible for sustainability at Nel and is the owner of the ESG policy. The Board Audit, Risk and Sustainability Committee (BARSC) is the preparatory body to assist the BoD in exercising its oversight of ESG matters. Further, the Chief Executive Officer (CEO) has delegated the authority and responsibility to the Chief Financial Officer (CFO) for implementation and execution of the key principles as outlined in this policy. General follow-up and execution of daily operations is conducted by a dedicated ESG committee, consisting of members from group management and the business line"The ESG policy is available on Nel's website. Visit www.nelhydrogen.com/sustainability.

DOUBLE MATERIALITY

Implementation of the European Commission adopted legislative Corporate Sustainability Reporting Directive (CSRD) and its European Sustainability Reporting Standards will enter into force for reporting year 2024 in EU and Norway. The directive introduces new reporting standards for reporting in accordance with the concept of double materiality. The concept increases the focus on materiality when reporting on sustainability matters. Information reported should be relevant whether from the perspective of material impacts on people and the environment, or from the perspective of financial materiality, or both. In addition, the information presented should be verifiable and comparable.

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

STAKEHOLDER DIALOGUE

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

Nel's activities show the following key stakeholders:

Employees

Employees generally express views related to occupational health and safety, career development, and timely two-way communication as key areas of concern. Employees are often the first to address risks and opportunities, so efficient employee dialogue is important.

Shareholders and capital market participants

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. Quarterly presentations, annual reports, and investor relations activities are channels employed to keep an open dialogue with this group. In January 2021, we held our first capital markets day (CMD), allowing for a deep dive into our current operations and important activities. In April 2022, Nel invited investors and equity analysts to participate in the inauguration of the Herøya facility, providing more insights to capital market participants.

Customers

Customers are generally concerned with product safety, cost of ownership, responsible supply chains, the applicability of solutions, and general project execution. Our customer relations are formed on a project basis and active communication is required throughout the customer's journey to deliver a satisfying product to the client, and to take home learnings to the organization.

Suppliers

Through its supply chain screening and procurement efforts, Nel sets requirements and requires insight into the ESG performance of suppliers. Also, that Nel operates honestly in-line with rules and legislations is important to provide to the suppliers. Most of the topics Nel raised to its suppliers

Photo: Ferenc Horvath

are related to quality, cost, delivery concerns, and alignment on ESG related topics. Another emerging topic subject to close dialogue is around growth, and whether a supplier can, or has, the ambition to grow with Nel.

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 procedures.

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.

Proxy Advisors

Nel's shareholders to a large extent rely on proxy advisors when voting at the general meeting. Proxy advisors therefore provide third party insights and a critical view of proposals set out by the Board of Directors for general meetings. Dialogue with proxy advisors is important to align governance practices, such as management and board remuneration, board composition, selection of auditor and auditors' fees, and authorization to increase share capital.

ESG rating agencies

Dialogue with various ESG rating agencies provides insights into ESG reporting materiality. While different agencies focus on somewhat different topics, Nel can, from dialogue to a larger degree, manage to navigate the topic of ESG reporting, which also gives insights to how to structure efficient internal reporting standards.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Nel supports the United Nations Sustainable Development Goals, and the company strive to document the actions made to meet the targets. Presented in 2015, the 17 goals were developed to address the most prominent sustainability concerns the society is facing. 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 the commitment through investments and organisational changes to optimise the company's contribution to this transformative agenda. The company will contribute to the industrialisation of the green hydrogen economy, paving the way for the development of a global hydrogen economy and the trading of renewable 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.

Nel support all the sustainability goals outlined by the United Nations; however, we have chosen to focus on those where we can make a significant direct impact:

MATERIAL ISSUES IMPACTING STAKEHOLDERS

Material topics have been identified by assessing relevant issues that are of importance to key stakeholders and how these issues impact Nel's operations and strategy. Nel defines material topics as areas that have potential to substantially impact the enterprise value of the company. These material topics will be disclosed and elaborated in the following annual report sections. The material topics has been categorized within the three main sustainability categories: Environmental, Social, and Governance factors and presented in the matrix on the next page.

Our selected goals are:

7 AFFORDABLE AND CLEAN ENERGY

Nel provides clean energy production solutions to a vast range of industries and applications. Nel's product offering is an enabler of clean energy infrastructure, and thus contributes to an increasing adaptation of renewable energy. The main contribution towards SDG #7 is in line with its strategic ambitions of 1) capitalize on the rapid development in the renewable industry by an extensive expansion of the company's organizational capabilities, and 2) to significantly decrease total cost of ownership for renewable hydrogen production and consequently improve the applicability of renewable energy.

8 DECENT WORK AND ECONOMIC GROWTH

At Nel, employees work in a safe and healthy environment. Nel never compromise on safety. The company strongly believe this is an absolute minimum to any successful long term sustainable business. All Nel sites have management systems put in place that safeguards employees' health and safety. Nel aims to offer a workplace free of harmful incidents and injuries, and to promote a culture that identifies and create awareness through incident reporting and self-accountability. The company has set a HQSE target of zero-tolerance for discrimination of any kind, and grievance mechanisms should such a case emerge.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Nel is committed to reducing the cost of green hydrogen production to enable affordable and easier available renewable energy, and thus also adaptation. This is aligned with the company's vision to empower generations with clean energy forever. Nel is committed to offer market leading equipment for water electrolysis. The company is a frontrunner in technology development, efficiency, and cost reductions. Another key element is to industrialize equipment production at a scale with manufacturing concepts that allow for further technological advancements.

13 CLIMATE ACTION

Nel's vision is to empower generations with clean energy forever. The business model is built on facilitating and enabling the energy transition towards a more sustainable society making renewable energy solutions commercially viable. Nel's product offerings are key enablers for a green hydrogen economy, making it possible to decarbonize various industries such as transportation, refining, steel, and ammonia.

ESG	MATERIAL TOPIC	PAGE	SDGS	2021	2022	TARGET 2023	TARGET 2025
E	Climate change opportunity and emissions avoided	27	7, 13				
	Revenue eligible with EU Taxonomy			na*	92%	95%	100%
	Revenue non-eligible with EU Taxonomy			na*	0%	0%	0%
	Unallocated revenue			na*	8%	5%	0%
E	GHG emissions	29	13				
	GHG intensity (excluding scope 3)			2.69	1.64	1.30**	1.00**
	Total GHG emissions (in ktCO2e) - scope 1			0	0	0	0
	Total GHG emissions (in ktCO2e) - scope 2			2	1	2**	4**
	Total GHG emissions (in ktCO2e) - scope 3			na*	7	15**	30**
E/S	Sustainability in electrolyser production	30	9, 13				
	Overall equipment effectiveness (own production)			50%	70%	~80%	>80%
	Alkaline stack yield			>80%	>90%	>95%	>95%
	PEM stack yield			95%	95%	>95%	>98%
E/S	Responsible supply chain	33	8, 9, 13				
S/G	Transparency Act	33	8				
	Supplier audits concluded within the fiscal year			15	21	10	10
	Third-party Integrity Due Diligence			na*	85%	100%	100%
S	Operational health and safety	32	8				
	Total recordable injuries frequency (TRIF)			4.9	11.5	0	0
	Fatality rate			0	0	0	0
S	Well-being at work	32	8				
	Gender balance			18.4%	18.5%	>18.5%	na
	Sick leave rate			2.4%	2.7%	<2.7%	na
	Employee turnover rate			na*	20%	<20%	na
S	Product safety	33	8, 9				
	Product-related safety incidents			0	0	0	0
S	Cyber security	34					
	Cyber Security Training Awareness			87%	90%	100%	100%
G	Ethical business conduct and compliance	37	8				
	Compliance training (Nel's employees)			na*	93%	100%	100%
	Compliance training (Management and BoD***)			100%	82%	100%	100%
G	Innovation and R&D	40	9				
	R&D spend in % of annual revenue and other income			22%	25%	10%	10%
	Total R&D spend (NOK millions)			173	248	na	na

* Accurate comparable numbers not available.

** Nel has initiated increased production capacity in Norway from 0.5 GW to 1 GW. Norway has a lower GHG emission per kWh than average in Nel, therefore, it is expected that the increased activity in Norway will reduce the GHG intensity for scope 2 in particular.

*** Board of Directors

Environment

CLIMATE CHANGE OPPORTUNITY AND EMISSIONS AVOIDED

Global emissions will have to fall more than 70% from 2020 until 2050 according to current pledges by governments in order to reach net zero collectively. in absolute terms, emissions would be reduced from 34 Gt today to below 10 Gt in 2050. If today's trajectory continues the estimate is 43 Gt, clean hydrogen can contribute 7% reduction, i.e., 3 Gt reduction in 2050 .

The use of renewable hydrogen will be an increasingly important part of tomorrow's energy mix. It promotes energy security and resilience as well as provides economic value and environmental benefits for diverse applications across multiple sectors in the economy.

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 renewable hydrogen as an important part of the solution. Governments are recognizing renewable 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 and distribution 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. Also, to produce renewable energy where it is cheap and in abundance, and transport to where the demand is, hydrogen could play a crucial role. This is integrated in Nel's vision of empowering generations with clean energy forever, as hydrogen is unlocking the potential of renewables and enables global decarbonization.

EMISSIONS AVOIDED

Nel's mission is to unlock the potential of renewables and enable global decarbonization. Nel believes that the emissions avoided from reference hydrogen products based on comparative assessments to renewable hydrogen will be substantial. According to IEA there was demand for 94 million metric tons of hydrogen in 2021, hydrogen predominantly derived from fossil sources. Current production of hydrogen is responsible for more than 900 million tons of CO2 emissions.

Water electrolysis from renewable energy can reduce these emissions substantially, a transformation is relatively easy from a technical point of view. The generally accepted accounting methodologies for measuring emissions avoided in the next years (before climate related scenario of abundance renewable energy) has not been readily available to Nel. Nel has therefore not been able to report on the relative emissions avoided for Nel's customers globally current year. Nel will follow the requirements within the 'European Sustainability Reporting Standard" when in force, and report the emissions avoided in accordance with accepted methodology, when available. The sections below showcase some of the significant opportunities for renewable hydrogen, with emissions avoided as the basis for such assumption.

FOSSIL FUEL PARITY

To increase the distribution and adaptation of green hydrogen it must be cost competitive with hydrogen made from natural gas. The hydrogen market is already massive. 94 million tonnes per year is already produced and used in various applications. According to IRENA, about 4% of hydrogen production comes from electrolysis, though with a global average renewable share of about 33%, about 1% of hydrogen production was derived directly from renewable sources. The rest is derived using fossil fuels, which create carbon emissions and are damaging to the environment. It will therefore be a lower hurdle for companies to reduce emissions when green hydrogen reaches the same price level as fossil-based hydrogen. Nel is committed to continue with cost reductions and efficiency improvements for its technology in order to enable a green hydrogen economy.

Electrolyser climate-related opportunities[1]

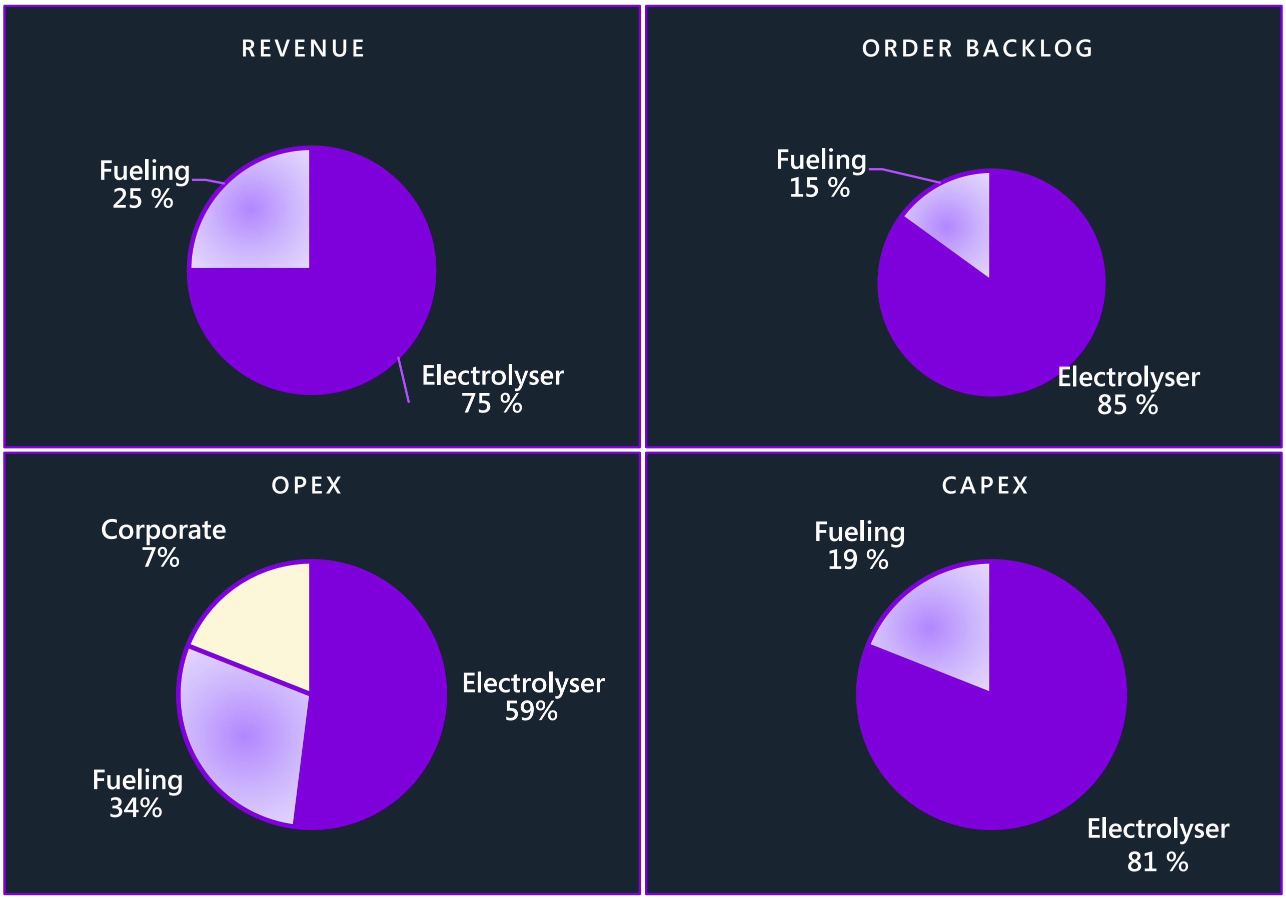
Everything Nel is involved in relates to renewable hydrogen, and the energy transition. As such, climate related opportunities are the only opportunities for the company. Nel's capital expenditures (Capex) and operating expenditures (Opex) are all related to renewable hydrogen technology.

Case 1: Decarbonizing ammonia ("industrial application")

- How hydrogen is vital to sustainable farming

Renewable hydrogen production by electrolysis is proving a viable pathway to sustainable ammonia, making fertilizer manufacturing and modern agriculture green.

1 Nel is a pure play renewable hydrogen company consisting of two operating segments, electrolyser and fueling. Both segments focus fully on the climate related opportunities. The percentage presented for each segment ties to financial statements disclosures for revenue, order backlog, capital expenditures and operating expenses, refer to disclosure 2.3, 2.1, 2.3 and 2.3, respectively. Corporate operating expenses are business and support related expenses for both electrolyser and fueling division



Renewable hydrogen is critical to sustainable ammonia production. It can reduce costs, boost capacities, and achieve decarbonization for the energy, mobility, and industrial sectors.

This is to the benefit of the environment, as more than 235 million tons of ammonia produced globally every year represent 1-2% of the world's energy consumption and around 1% of all human emissions.

The uniquely interesting ammonia
Although hydrogen's role in producing ammonia for fertilizer manufacturing is just one of the hundreds of current and coming uses of hydrogen, ammonia is exceptionally interesting.

Apart from unlocking the decarbonization potential, it can play an essential role as a life-sustaining commodity and be a high-density carrier of hydrogen energy, allowing the exportation of hydrogen and, thereby, cost-effective energy.

Furthermore, it is relatively easy to 'crack' the ammonia to liberate hydrogen at the point of use for various applications. Also easing the cost is the fact that a massive ammonia distribution infrastructure is already in place.

Meeting the fast-growing demand
Nel has delivered electrolyser equipment to green ammonia projects, among them one of Europe's largest renewable hydrogen plants, located in Puertollano, approximately 250 km south of Madrid. There, the energy company Iberdrola produces renewable hydrogen for Fertiberia's fertilizer plant. The 20 MW PEM electrolyser plant will reduce the CO_2 emissions from fertilizer production as green hydrogen replaces fossil fuels.

Nel will also deliver an alkaline electrolyser system for Skovgaard Energy to produce green ammonia in the small village of Ramme in Western Jutland, Denmark. The plant, to be built by Skovgaard Energy and their Danish project partners, Topsoe and Vestas, will be the world's first dynamic green ammonia plant, where renewable electricity from wind and solar will be connected directly to the electrolyser.

Case 2: Mobility ("fuel cell electric vehicles") - Fueling future transportation
Green hydrogen is witnessing a surge in demand, also in the heavy-duty transportation sector, as companies and governments strive to adopt greener energy sources. This shift towards clean energy opens new opportunities for green hydrogen technology companies like Nel.

Today, the transport sector accounts for as much as 15% of the world's greenhouse gas emissions. Many governments are therefore setting ambitious targets to reduce their carbon emissions, and hydrogen is seen as a promising solution for reducing the footprint of the transportation sector. For example, the EU aims to develop a network of hydrogen fueling stations for every 100-150 km in Europe.

Green hydrogen, produced using renewable energy sources such as wind and solar power, is particularly attractive because it has no emissions during use, making it a cleaner alternative to fossil fuels. In addition, hydrogen fuel cell vehicles have a range like conventional vehicles and can be fueled quickly, making it a practical choice for use cases needing high utilization.

Nel is therefore investing in developing fueling stations and electrolyser equipment. In 2022 Nel entered a collaboration with General Motors, which has decades of experience developing fuel cells for hydrogen vehicles. The partnership aims to create more efficient and cost-effective hydrogen production equipment, making renewable hydrogen competitive with fossil fuels.

Many of Nel's customers are planning to produce hydrogen for heavy-duty vehicles. One of them is Woodside Energy, which has ordered large-scale electrolyser equipment for a hydrogen facility in Ardmore, Oklahoma, an area well suited for hydrogen production with good availability of water and energy. This further demonstrates Nel's commitment to supporting the growth of renewable hydrogen in heavy-duty transportation and reinforces its position as a leader in the industry.

Furthermore, Nel is delivering fueling station systems to high-quality energy companies, such as Shell, that firmly believe tomorrow's heavy-duty vehicles will be powered by green hydrogen. First, however, the technology must be further developed and improved to meet society's growing demand for fueling stations. Nel will therefore focus on developing high capacity fueling stations for heavy-duty transportation, phasing out old product platforms and technology, and cultivating a smaller and better product portfolio.

In addition, Nel will focus on developing its core technology with a particular focus on high-pressure compression, cooling, and control. Nel will also collaborate with world-class partners on other components to offer the best product, reduce technology risk, and improve overall profitability.

CLIMATE-RELATED RISK FACTORS

Nel assesses climate transition risks into two major categories: (1) risks related to the transition to a low-carbon economy and (2) risks related to the physical impacts of climate change.

Nel constantly monitors product failure and technology obsolescence. There is a risk of reputational damage from product failure and failure to meet high expectation from our customers that Nel's technology will deliver efficient products within an acceptable price range.

Local authorities and governments have an important role in the renewable hydrogen sector by enacting legislations that support research and innovation and scalable investments in production and infrastructure. Reduced and/or delayed support from governments will halt the developments of the renewable hydrogen industry. In 2022, the United States took an important step by enacting the Inflation Reduction Act of 2022 and we believe that other developed countries and the European Union can enact similar legislations between 2023-2025.

Raw materials supply issues could surface when the value chain experience exponential growth driven by efforts to abate climate change. For example, raw material Iridium is important for the manufacturing of PEM electrolysers. The total supply is limited and a significant reduction of Iridium consumption in PEM products and very high recycling rates will be necessary to reduce the risk. Our net zero target by 2050 depends on the supply of green steel sources for our production chain.

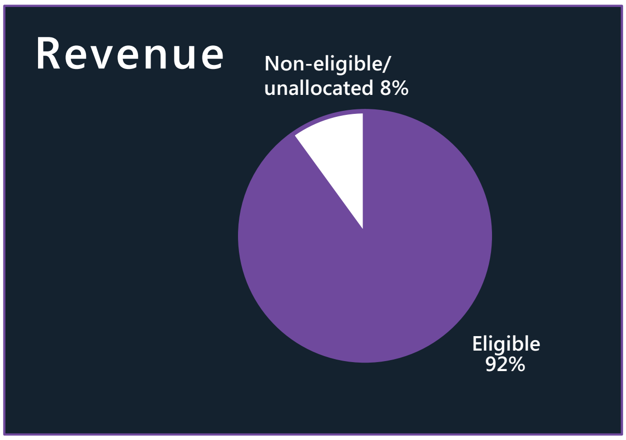
No physical risks from i) temperature increases, or associated changes ii) weather patterns, sea levels, ecology or human habitation. Nel's electrolysers requires water and may not be relevant to geographies with water stress prior to additional investments.

EU TAXONOMY

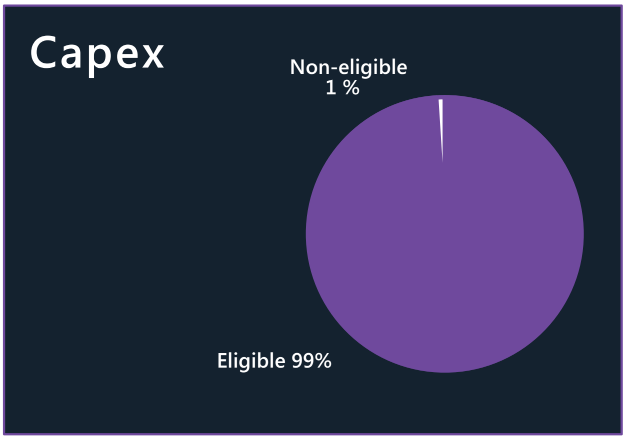
The Taxonomy Regulation entered into force on 12 July 2020 within EU. In 2021, Norwegian law adopted a new act on sustainable finance that implements that Taxonomy Regulation and the Disclosure Regulation. It has been decided to incorporate the regulations into the EEA Agreement and the decision enter into force in 2023. The purpose of the framework is to have common definitions for what constitutes sustainable activities and to be used by any relevant market participant.

Nel's business activities are covered by the EU Taxonomy on Sustainable activities for Climate Mitigation listed in economic activity 3.2 Manufacture of equipment for the production and use of hydrogen. Nel's equipment has the quality to comply the technical screening in 3.10 for the life-cycle emissions savings assuming a scenario including sufficient renewable energy in the grid. Therefore, Nel's revenue of core equipment is an eligible economic activity within the EU Taxonomy framework. All of Nel's activity is within renewable hydrogen sector, therefore, capital expenditures (Capex) and operating expenditures (Opex) are all generally related to renewable hydrogen technology.

To be fully aligned with the EU Taxonomy framework, Nel needs to qualify on the basis of i) Substantial Contribution, ii) Do No Significant Harm to other sustainability objectives and iii) Minimum Safeguards. In the course of 2023, Nel will report on the percentage of its activities that are taxonomy aligned after completing the necessary analyses of the above requirements. As all Nel's current economic activities have the potential to be taxonomy aligned Nel regards the potential for close to full alignment with the EU taxonomy as high.

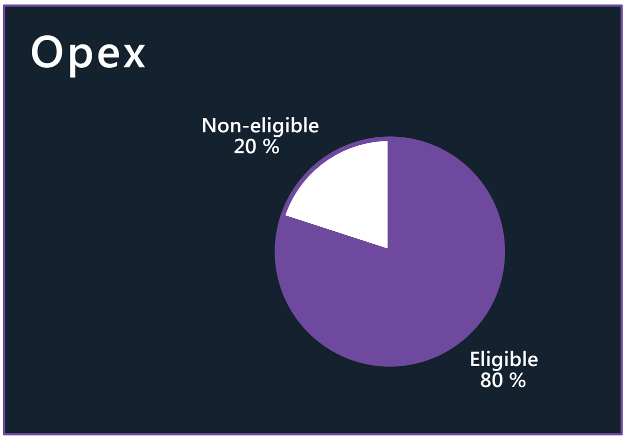


The measure of 92% eligible activity refers to the sum of turnover of equipment in Electrolyser and Fueling compared to total turnover, in 2022. The remaining 8% is for now reported as unallocated non-eligible pending on conclusive analysis on whether services delivered in conjunction with the equipment delivery will qualify. Examples of such revenue streams in Nel includes FEED study, EPC, installation, commissioning and operating and maintenance.



All capital expenditures relevant for the manufacturing facilities and related technology development has been included as eligible economic activities. The non-eligible economic activities comprise capital expenditures related to other corporate capital expenditures.

Aligned activities include Opex related to assets or processes associated with Taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that represent research and development. Nel understands that the definition of Opex in the numerator and denominator is not readily available and that the establishment of standard interpretation and practice might vary.



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. 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. However, distribution of water could offer a challenge.

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.

Water stress can also be minimised by adding desalination plants at the electrolyser site. 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.

2 (PDF) Development of a Life Cycle Inventory of Water Consumption Associated with the Production of Transportation Fuels (researchgate.net)

3 Quantification of freshwater consumption and scarcity footprints of hydrogen from water electrolysis: A methodology framework - ScienceDirect
4 Electrolysis of low-grade and saline surface water | Nature Energy

GREENHOUSE GAS ("GHG") EMISSIONS

Nel strives to be transparent with regards to our impact on the environment and continue to improve the internal process for collecting data that provides an overview of our emissions and their origins.

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 future reports, the company aims to extend the reporting scope and to include a selection of scope 3 emissions. These have been identified to be business travel, waste, and downstream distribution.

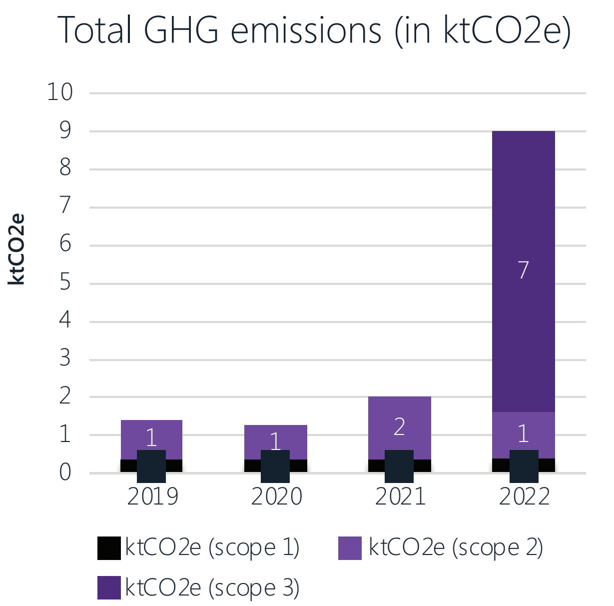
	Fueling	PEM	AWE	ASA
Scope 1	yes	yes	yes	yes
Scope 2	yes	yes	yes	yes
Scope 3	yes		yes	yes
Business travel	yes		yes	yes
Waste	yes		yes	
Purchased goods and services**			yes	
Use of sold products	yes	yes	yes	

*yes = data points have been included in the reported scope 1-3 emissions, while blank means it has not been included. All other scope 3 emissions categories not listed has not been included in the scope 1-3 GHG inventory reported in 2022. While there will be emissions in all categories, Nel is a global company with global distribution and therefore estimates that transportation (inbound and outbound) is the main data point missing for complete data.

**Purchased goods and services includes the emissions from significant raw materials.

GHG consolidation method

The greenhouse gas emissions disclosed in this report were consolidated using the control approach. Under the control approach, a company accounts for 100% of the GHG emissions from operations over which it has control.



Scope 1

Nel has 29 cars and 11 forklifts. Around 50 % of the vehicles are either battery electric or fuel cell electric. The majority of the scope 1 emissions of 401 tCO2e is therefore fuel consumption.

Scope 2

The majority of emissions from scope 2 of 1 223 tCO2e is the use of electricity from grid connected production in company owned or leased locations. The electrolyser division consumes energy while performing tests on our products before they are shipped to our customers. Nel's absolute emissions the next years will correlate with the activity level achieved. An increase will occur if Nel continue to increase production capacity. Nel's goal is to decrease the CO2 footprint per product produced. We will achieve this by improving the stability and scalability of our production processes. In addition, Nel pledges to become fully electrified and use renewable energy to the extent available.

The measurement of the reported greenhouse gases is the energy consumption multiplied with emissions factor for the relevant connected grid. Nel's manufacturing facilities are connected to the grid in Norway, Denmark and Connecticut, US. Each grid has its own emission factor based on location- and marked based emissions. These emissions factors are updated regularly by the source provider.

Norway

The manufacturing facility in Herøya is connected to the grid in price area NO1. Norway's energy production mix comprise of over 90% of hydro power, however Norway is connected to the European continent by power cables resulting in a lower percentage of renewable energy in the mix. Nel has decided to not purchase green certificates for its electricity, and has therefore used a "Nordic Mix" to measure its CO2 emissions from energy consumption in Norway. The emission factor for the energy use in Norway is measured at 0.031 kgCO2/kWh.

Denmark

The electricity usage in Herning, Denmark, consist of mainly heating and input to the production facility. Both location- and market-based emissions are accounted for. The emission factor for the energy use in Denmark is measured at 0.125 kgCO2/kWh.

Connecticut, United States

The facility in Wallingford, Connecticut, has an energy mix that consists of approximately gas, nuclear, hydro, wind and biomass. In total, about 20% of the fuel mix is renewable. The emission factor for the energy use in Wallingford is measured at 0.224 kgCO2/kWh.

Scope 3

Purchased goods

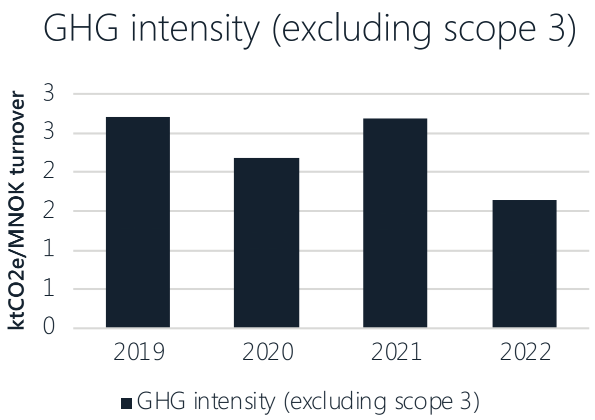
A significant portion of Nel's greenhouse gas inventory stems from purchased goods, such as metals, steel, nickel, platinum and iridium.

Use of sold products

The fueling stations, alkaline electrolysers and PEM electrolyser equipment produced by Nel have no emissions in use when connected to renewable power sources like wind, solar, or hydro power, either grid-connected or off-grid. Nel has no control over the renewable energy mix in its customers production facilities, and this will not be 100% emission free until there is sufficient energy production from renewable sources. All customers producing hydrogen from water electrolysis has its plan to produce from renewable energy sources to reduce the carbon footprint from its operations. Nel has in the scope 3 reporting assumed zero emissions from use of sold products.

GHG intensity

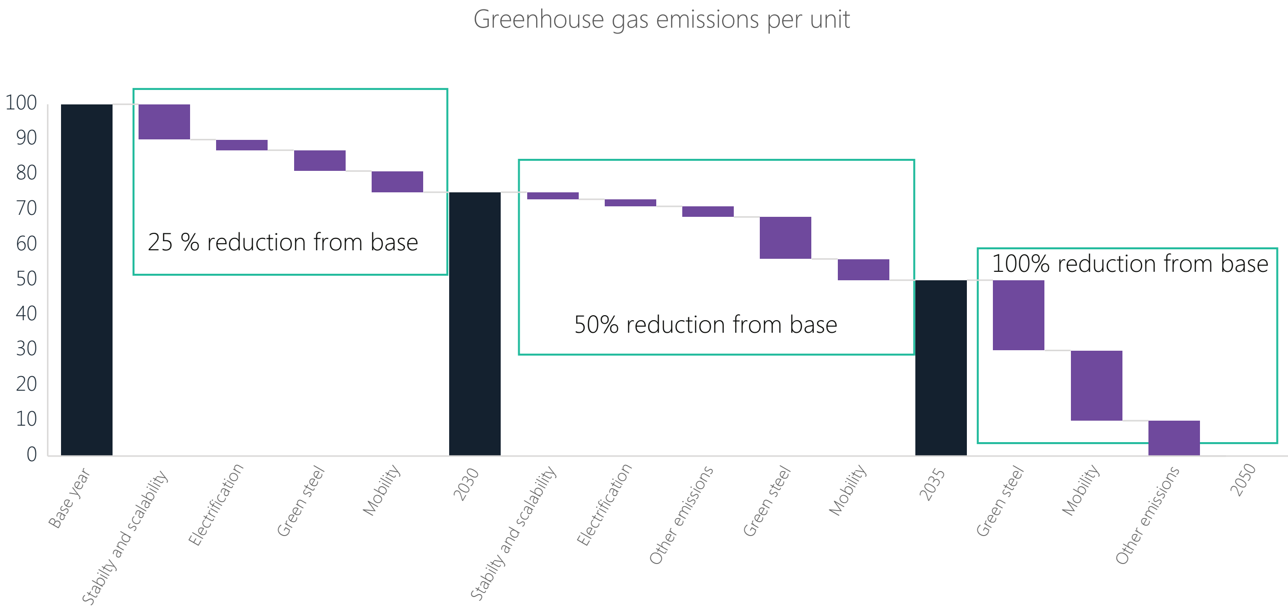
The GHG intensity is presented excluding scope 3 as the complete scope 3 has not yet been included. The GHG intensity has decreased in 2022 compared to prior years as a result of increased revenue in the group from particular the increased production in Norway. Norway has low GHG emission, below the group's average.



NET ZERO 2050 - GREENHOUSE GAS EMISSION (GHG) TRAJECTORY

The outlook for scope 1-3 in Nel includes several forward-looking data points with significant estimations uncertainty and involves risk of low reliability and/or comparability. Nel does not provide any guiding on production volume or revenues, therefore, Nel has not been able to show the detailed absolute emission trajectory towards net zero. Nel reported that GHG emissions this year is not significant, however, it is evident that the renewable hydrogen industry will witness increasing GHG emissions when going through industrialisation, while the total absolute annual GHG emissions should be very limited comparing to conventional technology. Thus, the emissions avoided is significant, refer section "Climate change opportunity and emissions avoided" above.

Nel's ESG policy include a pledge to reduce greenhouse gas emissions per produced unit by 25%, 50% and 100% within 2030, 2035 and 2050, respectively, compared to 2020. Nel will monitor the reduction plan by improved reporting procedures and data quality for material scope 1, 2 and 3 emissions. The majority of GHG emissions in Nel would be categorised as Scope 3 emissions, where reductions will mainly come from purchased goods and transportation. An example of significant purchased good in Nel is steel. The timing of decarbonization of the steel industry is uncertain but roadmaps already include likely decarbonization from sustainable amendments in steel production (hot direct reduced iron, hot briquetted DRI, blast furnace). It is therefore expected that a certain volume will be available before 2030. Nel's GHG reduction trajectory includes estimates that the volume of commercialised renewable steel will increase from 2030-2040. The steel production market is a climate-related opportunity for Nel. In addition to reductions within purchased goods, Nel estimate GHG reductions in the transportation industry when the mobility fleets become more sustainable (electrification, e-fuels and biofuels). Also in this spectrum, Nel's GHG reduction trajectory estimate the majority of these reductions become visible beyond 2030. Nel also estimates that GHG reductions per unit will be achieved by increased volumes produced, as some GHG emissions are not fully variable and correlated to the production volume.



SUSTAINABILITY IN ELECTROLYSER PRODUCTION

Nel is committed through its company ESG Policy to state-of-the-art sustainable production facilities for both current productions, committed expansions and if further scaling up.

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 realignment, and we will continuously pursue improvements in all our operations going forward.

During 2022, the alkaline electrolyser recertified ISO 9001, 14001 and 45001, and implemented ISO 50001 Governance system and procedures at Herøya. PEM added ISO 14001 and 45001 certifications to ISO 9001 certification in 2022.

Key metrics and targets include increasing stack energy efficiency and eliminate the use of dangerous hydrofluoric acid (HF) from the cell stack assembly room. The plan to eliminate such use is implementation of a sputtering process. Sputtering will reduce the number of parts that go through an electrochemical etching process. Nel will improve on emission reporting, formalise initiatives through policies and procedures, and encourage dialogue across divisions to identify key areas of improvement.

RESILIENCE IN ELECTROLYSER 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 the most efficient electrolysers on the market, at a game-changing low production cost. The capacity of the facilities in 2022 was 0.5 GW annually, with committed expansion to 1 GW capacity from second quarter 2024. The Herøya facility can be expanded further to 2 GW. Nel has announced further expansion plans in the US, where a site selection process is expected to be concluded in the first half of 2023. Nel's new manufacturing facility in the US is planned to have capacity to grow to a total of 4 GW, distributed between PEM and alkaline. The resilience in Nel's manufacturing facilities is robust considering new state-of-the-art fully automatized production concept located close to highly skilled technology personnel, capacity aligned to the market, and also close to the customers.

Sustainability in electrolyser production metrics and targets as of end of 2022:

KPI	2021	2022	2023	2025	2030
Electrolyser production, Alkaline					
Stack yield	>80%	>90%	>95%	>95%	>98%
Overall equipment effectiveness	50%	70%	~80%	>80%	>85%
Electrolyser production, PEM					
Stack yield	95%	95%	>95%	>98%	>98%
System yield	85%	85%	>85%	>90%	>90%

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. 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 a regular basis by a steering group. The programme focuses on all aspects of safety including, workplace safety, product safety and stakeholder safety.

Following HSE and quality being #1 priorities within Nel, all Nel sites have management systems in place that safeguard our employees' health and safety. Relevant indicators on work related injuries and illness are monitored and reported at a corporate, divisional and local level. 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. TRIR (total recordable injuries per million hours worked) in 2022 was 11.5 (4.9) and there were 0 (0) fatal accidents.

Nel recognises that ensuring i) workplace, ii) stakeholder and iii) 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

PRODUCT SAFETY

Safety is the number one 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 2023, 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 2022, Nel implemented Nel Business System (NBS) across the whole organisation. 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 was started in 2022. The Nel Business System is a part of our employee value programme.

Product safety targets for 2023:

- 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 spend on purchasing goods and services in 2022 was a significant part of total revenue, equalling about NOK 1 100 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. Nel is committed to work with the whole supply chain in a structured approach to meet the company's overall targets within ESG.

One of the key activities in 2022 was to continue to strengthen the supplier base with new competitive suppliers capable of managing the marked growth and also being able to deliver large and complex systems at the highest standards. Although 2022 was a very challenging year due to post-pandemic issues and the war situation in Europe, Nel continued to qualify and enter supplier agreements with a number of new key suppliers, while also strengthening the relations with existing core suppliers. This sums up in a robust supply chain which provides Nel the predictability and capability for continued growth.

The effects from the corona pandemic continued to challenge the process of conducting on-site supplier audits, most considerably in the first quarters. Despite the challenges, Nel managed to conduct 21 audits in 2022 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 new key suppliers.

Nel has met its 2022 target of developing and screening new direct high-risk suppliers using the 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 is formalised in a digital environment to optimize the pre-qualification process.

Nel experiences a continued increase of focus and expectations related to ESG topics. The established dedicated Nel Procurement Community has had quarterly meetings throughout 2022, and consistently included ESG as the backbone in all meetings. By working systematically with ESG, the company ensures compliance with both legal requirements as well as alignment with initiatives in which Nel has committed to. As a result, ESG was prominent in supply chain efforts in 2022, and the company will continue its efforts of identifying synergies in supply chain activities across Nel going forward as well.

Other significant organizational developments:

- Centralized responsibility for planning, sale and execution of large-scale projects
- Areas of strategic purchasing competence have been strengthened throughout the year
- Development of best practices and the procurement toolbox
- Strengthen the supply chain organization significantly to scale-up for increased size and number of projects

Significant supply chain changes

- Ramp up of Supplier capacity to meet the increasing demand
- Opening of Herøya facility
- Continued to develop the partnerships 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 2023. This includes continuing to develop the pre-qualification and supplier development programme, and to:

- Implement a supplier declaration to secure commitment to good business ethics throughout the supply chain.
- Establishing a supplier portal enabling Nel suppliers readily available access to amongst other our whistleblower programme, the "Nel Ethics Hotline", key documents, including code of conduct, Nel's values and other information and relevant tools for the engagement with Nel
- 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

TRANSPARENCY ACT

According to the Norwegian Transparency Act which entered into force July 1st, 2022, Nel has a duty to carry out a due diligence assessments related to fundamental human rights and decent working conditions in its own businesses and supply chains.

Guidelines and Measures

To ensure awareness in Nel's organisation concerning the challenges related to fundamental human rights and decent working conditions and to prevent adverse impact on human rights in Nel's business activities Nel has implemented a Human Rights policy. The policy describes how Nel shall manage human rights in our operations, as well as in the communities affected by Nel's business operations. The policy is applicable to Nel ASA, its subsidiaries and to all Nel employees. The policy also applies to all suppliers of Nel.

Furthermore, as part of Nel's procurement process, and in accordance with Nel's Third Party Management and Integrity Due Diligence Procedure (the "IDD Procedure"), Nel performs an integrity due diligence ("IDD") on all suppliers (and the majority of the parties it contracts with). All IDDs are performed by a third-party company which specializes in IDDs, and the extent of the IDD will depend on an initial risk assessment of the supplier (low, medium or high).

In addition to the IDD, which is performed on all suppliers, new direct high-risk suppliers will going forward also be subject to a more thorough pre-qualification process, ref. Section responsible supply chain above.

Moreover, during 2023 Nel will implement a specific mandatory supplier declaration to further increased awareness and secure commitment to good business ethics throughout its supply chain.

If red-flags are uncovered during the IDD, the IDD Procedure sets out the process for how such red-flags shall be handled. If the procurement process is not stopped as a result of the finding, adequate measure will be put in place to prevent or mitigate the risk.

Nel also has a system in place where employees, business partners and stakeholders can report anonymously (the Nel "Ethics Hotline"), refer separate section "Whistleblowing" if they have observed or experienced acts that violate the respect for human rights in connection with Nel or its business operations. If any such reports are received, they will be investigated in accordance with Nel's Investigation Procedure, and if the investigation finds that there is merit to the report, appropriate measures will be implemented.

General Risk Assessment of Nel's Own Operation and Nel's Supply Chain
The risk of human and labour rights abuses differs between countries and when making a general assessment of the risk of human rights abuses it is relevant to look at the countries in question. When assessing country risk Nel has used the "Corruption Perception Index" published by Transparency International (the "TI-Index"). The TI-Index scores each country from 1 – 100 where 100 is the highest score.

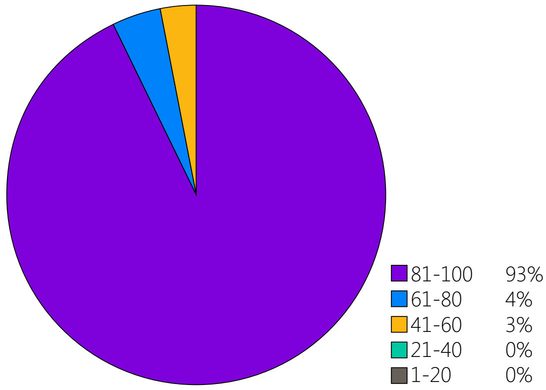
Nel ASA and all business units, including subsidiaries, are based in jurisdictions which score amongst the top 18% of the 180 countries scored in the index. Norway, Denmark and the United States, where Nel's main facilities are located, are ranked no. 4, 1 and 24, respectively, on the index. Further, the terms of employment and working conditions of Nel employees are in accordance with local legislation and international norms. The risk related to Nel's own operations is therefore considered to be low.

Each Nel business unit has its separate supply chain which must be assessed separately. In the figures below we have assessed country risk in the supply chain of each business unit and overall, across all business units. For the purpose of the diagrams below we have split the index into five intervals (diagrams are based supply chain information from 2022).

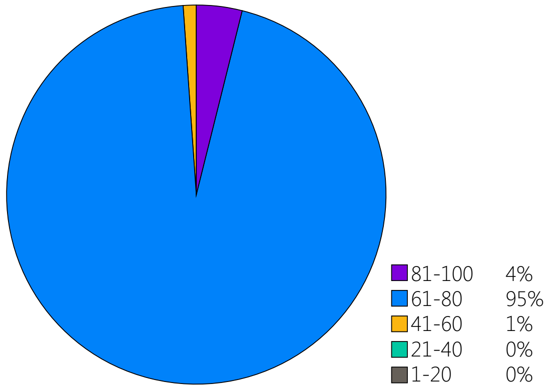
The figures to the right documents that overall Nel predominantly has suppliers from low-risk jurisdictions. 99% of Nel's suppliers are within the top two intervals (55% and 44% respectively), and there are no suppliers in the two bottom intervals. For Fueling and Alkaline 86% and 93% respectively are in the top interval. For PEM, 4% are in the top interval and 95% are in the second interval. For PEM 91% of their suppliers are based in the United States which is in the second interval with a score of 69 (ranked 24 of all 180 countries). Based on an overall assessment of country risk, risk of violations of fundamental human rights and decent working conditions in Nel's Supply chain is considered too be low.

In addition to country risk, the risk of human rights abuses also differs between product categories. Metals and minerals are product categories which generally implies a high risk, related to both the extraction and the processing of the metals/minerals, and a particular high level of awareness is required in respect of minerals on the OECDs list of so-called conflict minerals . Metals are also a key component of Nel's products. The Alkaline electrolysers contain steel and nickel, the PEM electrolyser contain steel, aluminium, nickel, copper, platinum, titanium and iridium, and the Fueling stations contain steel. None of these metals are on the OECD's list of conflict minerals, but due to the general high risk related to metals, Nel's supply chains related to metals demand a specific focus.

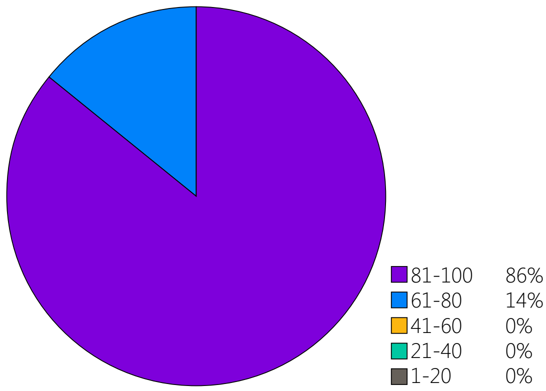
SUPPLY CHAIN AWE



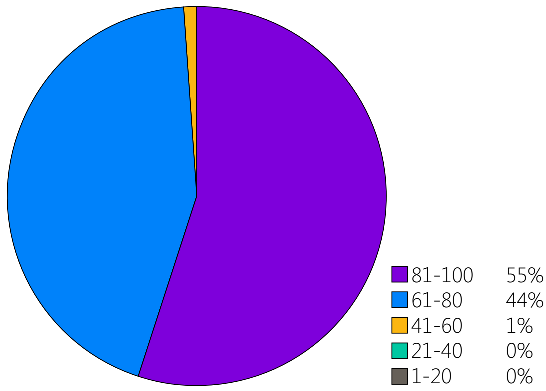
SUPPLY CHAIN PEM



SUPPLY CHAIN FUELING



SUPPLY CHAIN OVERALL



CYBER SECURITY

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 for our fueling stations and electrolysers, continues to increase in importance and being part for critical infrastructure.

Nel continues to invest in protection measures to mitigate exposure to safety and reliability issues in our production sites, in addition to leakage of confidential data, legal and regulatory compliance violations, insider threat from dismissed employees or contractors and loss or malicious modification of business-critical data. The inherent cyber security risk continues to increase as malicious players innovate and evolve their techniques to increase their success rate, therefore Nel continue to invest in preparedness.

All employees are required to complete monthly IT-security training. A total of 90% of Nel employees have completed monthly cyber security awareness training during 2022. The training covers essential topics of cyber security. External consultants have been engaged to uncover and report on IT-related security threats.

All of Nel's cloud suppliers have the required certifications and have been selected after a thorough supplier due diligence process.

Nel's 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.

There were no breaches of customers' privacy in 2022, nor were there any reported cases of identified leaks, thefts, or loss of customer data.

DIRECTORS & OFFICERS INSURANCE (D&O)

Based on 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.

Photo: Unsplash.com

WELL-BEING AT WORK

In 2022, Nel has strengthened its global HR development with Nel Business System as backbone for all development.

In January 2022 we introduced a common HR-system across the different divisions and locations, optimising the HR processes. The HR-system is module based, which means it can be combined and configured to meet requirements of the company. In January, the company introduced modules for core HR, appraisal and development processes and the learning management. During the last quarter of 2022, the company implemented the recruitment module making it customer friendly for both applicants, leaders and HR. It also contributes to develop and improve our talent acquisition pool. This implementation ensures a more efficient recruitment process.

In 2023, Nel will continue to strengthen its HR developments across the company. One key priority will be to develop and implement activities that contribute to create a common culture. These activities will ensure a tighter connection to its core values and a deeper internal understanding of the business strategy. A common onboarding program will be launched, improving the change management and resilience capabilities and the ability to lead in a continuously changing global market.

Nel has low sick leave and reduced turnover in current year and will continue to further improve the working environment and work-life balance for the employees.

WORKING HOURS POLICY

Nel strives to ensure that employees do not exceed reasonable working hours to provide a balance between work and personal life. All managers in Nel are responsible for monitoring the working hours of their direct reports, making sure these are within acceptable limits. Nel is also working to initiate additional measures to prevent employees from exceeding reasonable working hours. These measures will be implemented in 2023.

TALENT DEVELOPMENT PROGRAM

Throughout 2022 Nel has onboarded approximately 200 new employees. Managers are monitoring the needs for on-the-job training, knowledge adoption and further competence development needs through the new appraisal and goals setting process. The purpose is to ensure that development activities help employees in their current and/or future role. Based on identified needs, some employees have also been assigned to specific external learning sessions. The talent process is at its early stages and will continue to be developed. Early 2023, a behavioural awareness training program based on dilemma situations will be launched. The program helps the organization to face challenging situations employees can be exposed to through working in the different geographies. Designing and rolling out a common culture program anchored in the different locations will be a key focus in 2023.

ABSOLUTE NUMBER AND RATE OF EMPLOYMENT

PERMANENT EMPLOYEES, BY REGION AND GENDER				FEMALE (%)		
	FEMALE	MALE	TOTAL	2022	2021	2020
Norway	37	156	193	19 %	20 %	22 %
United States	39	147	186	21 %	21 %	23 %
Denmark	33	162	195	17 %	15 %	15 %
Others	3	23	26	12 %	17 %	12 %
Total	112	488	600*			

*Employees that defines themselves as non-binary or undefined are excluded due to privacy concerns.

We strive to increase our gender balance across the different locations, we have a focus on diversity through recruitment ensuring we offer equal opportunity to all relevant applicants. Women in executive management is 1, or 11.1%.

MALE-FEMALE PAY GAP	
Norway	12 %
United States	22 %
Denmark	7 %

The male-female pay gap is the difference between average gross hourly earnings of male paid employees and of female paid employees expressed as a percentage of average gross hourly earnings of male paid employees. Nel's remuneration policy was approved by the General Meeting 15th of April 2021. Refer to remuneration report 2022 which describes how the policy has been applied during 2022.

EMPLOYEE TURNOVER AND NEW EMPLOYEE HIRE

AGE				
Employee turnover	**<31**	**31-49**	**50+**	**Total**
Total number	26	60	17	103
Rate	36 %	21 %	11 %	20 %
Opening count 2022	73	281	153	507
New employee hires	**<31**	**31-49**	**50+**	**Total**
Total number	54	107	38	199
Percentage of hires	27 %	54 %	19 %	

The gender balance focus as other diversity focus is included in our recruitment and sourcing activities.

GENDER

EMPLOYEE TURNOVER	FEMALE	MALE	TOTAL
Total number	21	82	103
Rate	22 %	20 %	20 %
Opening count 2022	94	413	507

NEW EMPLOYEE HIRES	FEMALE	MALE	TOTAL
Total number	39	160	199
Percentage of hires	20 %	80 %	

AGE DISTRIBUTION OF WORKFORCE

	2022	2021	2020
< 31	113	73	62
31-49	314	281	201
50+	176	153	130
TOTAL	603	507	393

	2022	2021	2020
Sick-leave	2.69 %	2.40 %	4.28 %
Coverage of employees	100 %	90 %	91 %

PARENTAL LEAVE

Nel facilitates for all female and male to take out parental leave and assure them to be employed after their leave as it is important for our employees in terms of work-life balance and well-being.

	MALE	FEMALE
Entitled to parental leave	30	3
Took parental leave	30	3
Percentage of entitled employees that took parental leave	100 %	100 %
Returned to work after parental leave ended	30	3
Still employed 12 months after their return from parental leave	N/A	N/A

It has not been possible to report on "still employed 12 months after their return from parental leave" in 2022 as 12 months has not passed as of 31 December 2022.

COLLECTIVE BARGAINING AGREEMENTS

	2022	2021	2020
Norway	24 %	26 %	24 %
Denmark	34 %	34 %	42 %
USA	0 %	0 %	0 %
Other	0 %	0 %	0 %

PERMANENT AND TEMPORARY POSITIONS

PERMANENT EMPLOYEES, BY REGION AND GENDER				FEMALE (%)		
	FEMALE	MALE	TOTAL	2022	2021	2020
Employee contract	Female	Male	Total	Female	Male	Total
Permanent employees	18 %	82 %	571	104	467	571
Time-limited employees	21 %	79 %	29	6	23	29
Total	110	490	600*	110	490	600
Permanent employees						
Full-time	90 %	90 %	514	94	420	514
Part-time	10 %	10 %	57	10	47	57
Total	104	467	571	104	467	571

*Employees that defines themselves as non-binary or undefined are excluded due to privacy concerns.

Governance

ETHICAL BUSINESS CONDUCT AND COMPLIANCE

Nel conducts business on all continents and the demand for Nel's hydrogen solutions is growing. Through the expanding portfolio of international projects, Nel has a significant number of third-party relationships, and frequently collaborates 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 2022, 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 should be conducted in an ethical and sustainable manner.

During 2022, the Nel Anti-bribery and Corruption Policy was published on our webpage to increase the general public's access and insight on how we work to prevent bribery and corruption in the organisation.

The first quarter of 2022 saw the completion and launch of the Nel Data Protection Policy. 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 Data Protection. The Export Compliance Procedure was completed and released in April 2022 and finally the Human Rights Policy was completed and released in November 2022 and marks the completion of the process of revising Nel's Compliance system. In the third quarter of 2021 Nel Third-Party Management and Integrity Due Diligence Procedure ("Third Party Procedure") was launched, and during the last part of 2021 and 2022 it has been gradually implemented in all parts of the organisation. In December 2022 the company performed an audit to check the organisation's compliance with the Third-Party Procedure. The result of the audit shows that overall, across all divisions and at the corporate level, the Third-Party Procedure is followed in 85% of dealings with third parties. Nel will continue to focus on this throughout 2023 to make sure that compliance is increased to an acceptable level.

Training of employees is crucial for an effective compliance program, and in 2022 Nel developed an Annual Compliance Wheel to systemize compliances tasks in regard to e-learning, physical training and internal audit of Policies and Procedures. The e-learning includes various compliance topics and is supplemented by digital training and face-to-face training conducted by Group Legal and Compliance.

- 93% of the employees have completed training in accordance with the Annual Compliance Wheel, which includes training in anti-bribery and corruption including gifts and hospitality, sexual harassment and introduction to data protection and privacy.
- 82% of Nel's executive management team and Board of Directors have completed the anti-bribery and corruption training for 2022.

Whistleblowing

The company's whistleblowing channel – the Nel Ethics Hotline – has been operational since September 2020. The whistleblowing channel is operated by a third-party service provider ensuring full anonymity for the reporter. In addition to English, the channel is available in Norwegian and Korean ensuring a low language barrier for reporting a concern. The whistleblowing channel is open for third parties/external stakeholders as well as employees of Nel and a link to the whistleblowing channel is published on Nel's official website. That there is an awareness of the whistleblower channel with external stakeholders is documented by the fact that in 2022 we for the first time also received reports from outside of the organization.

Following the launch in September 2020 and throughout 2021 and 2022, Nel have consistently worked to raise awareness of the whistleblower channel within Nel and also with external stakeholder, and a steady rise in reports has been seen. In 2021 Nel's Ethic Hotline received 4 notifications and in 2022 the number has increased to 15.

The notifications received in 2022 can be categorized as follows:

- Human Resources, 5 cases
- Health & Safety, 3 cases
- Harassment, 3 cases
- Financial, 2 cases, and
- Other, 2 cases

Of the 15 notifications received in 2022, 6 are resolved and 9 are still open. The outcomes of cases resolved differs, but have resulted in disciplinary sanctions of involved individuals, and cases have also led to broader initiatives, such as the development of a behavioural training program which was initiated in the first quarter of 2023.

All reports of concerns received through Nel's Ethics Hotline are handled in accordance with Nel's Ethics Hotline Procedure and Nel's Investigation Procedure. According to the procedures all reports of concern are received by a team consisting of three people – the ethics hotline team – which will initiate the investigation of the report. Depending on the category of the case, subject matter experts will be involved on a case-by-case basis. All received reports are kept confidential and investigated in accordance with fundamental principles of due process. The extent of management involvement in a specific case will be determined on each case dependent on a specific risk assessment.

Compliance targets for 2023:

- 100% of relevant Nel employees to have completed e-learning compliance training in accordance with the Annual Compliance Wheel.
- 100% of Nel's executive management team and Board of Directors to have completed the anti-bribery and corruption training during 2023.
- Complete and roll out Code of Conduct behavioural training during first quarter 2023.

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 (NOK million)

		FUELING	AWE	PEM	GROUP
2022	Research and maintenance	56	29	44	130
	Capitalised technology	27	50	40	118
	Total R&D spend (NOK millions)	84	80	85	248
	R&D spend in % of annual revenue and other income	34%	23%	21%	25%
2021	Research and maintenance	37	4	14	54
	Capitalised technology	39	33	47	119
	Total R&D spend (NOK millions)	76	36	61	173
	R&D spend in % of annual revenue and other income	23%	64%	15%	22%

All research and development (R&D) work at Nel targeting safe, high performing, and cost-efficient products for all our stakeholders. This includes reducing initial capital expenditures and operational expenses during the products' lifetime, at the same time improving performance. 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. The 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 managed 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 electrode manufacturing. The goal is to reduce the number of processes required, thus 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. Standardization is an important step for scaling up manufacturing with related cost-reduction programs in place. The standardization will be 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 design, increasing the active electrode area, and increasing current density.

FUELING

Nel has in recent years carried out 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 2023:

- 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 2023.

RESPONSIBILITY STATEMENT

"We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2022, up to and including 31 December 2022, 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, 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 Røtjer
Board member

(Electronically signed)

Jon André Løkke
Board member
(Electronically signed)

Håkon Volldal
CEO
(Electronically signed)

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 and management have resolved to follow the recommendations of the Code to the extent deemed reasonable in view of the company's size and stage of development.

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: enabling decarbonization of 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 create value for shareholders in a sustainable manner.

3. Capital and dividend

The company's registered share capital as of 31 December 2022 consisted of 1 563 325 304 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 21 April 2022, the board was granted authorisation to increase the share capital with up to NOK 29 219 985 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 9% of the share capital at any given time. In addition, a separate authorisation to increase the share capital of up to NOK 2 921 598 for issue of shares in connection with incentive programs for employees was granted at an extraordinary general meeting on 2 August 2023.

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. 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 2022, the annual general meeting was held on 21 April and 8.65 percent of the total share capital was represented. The annual general meeting was conducted digitally, with a live webcast and electronic voting on each item. An extraordinary general meeting was held on 2 August and 10.14 percent of the total share capital was represented. The extraordinary general meeting was conducted physically at the company's headquarters in Oslo, Norway.

The company encourages 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 21 April 2022, the following persons were elected to the nomination committee and serve until the 2023 annual general meeting:

- Eivind Sars Veddeng, chair
- Leif Eriksrød, member
- Andreas Poole, member

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 21 April 2022, 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. Jon André Løkke was elected as a new member of the board.

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 12 (parent company) for transactions with related parties.

9. The work of the Board of Directors

A plan for the boards' 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 2022.

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 2022, the board conducted 13 board meetings with 100% meeting attendance, with the exception of one meeting where Board member Jebsen was unable to attend but gave his input in advance. The meetings were held at group headquarters in Oslo and/or virtual meetings due to travel convenience, 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, compliance system and the company's environmental, social and governance ("ESG") reporting. With the broader mandate, the committee is referred to as Board Audit, Risk and Sustainability Committee. The members of the audit committee are appointed by and from the members of the board, and currently consist of Beatriz Malo de Molina as chair and Charlotta Falvin as member. Current members are independent of the company's management. The audit committee conducted 7 meetings with 100% meeting attendance in 2022.

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 currently consist of Hanne Blume as chair and Ole Enger as member. The committee has held 7 meeting with 100% meeting attendance in 2022. The committee was also involved in discussions related to the recruitment of strategic positions for Nel and key organisational adjustments through the year. The Remuneration Committee has onboarded the new CEO mid-2022.

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, 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 dedicated 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 most significant risk factors are 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 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 2022 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 held 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 remuneration report for 2022 will be presented to the general meeting in 2023 for an advisory vote. The remuneration report will become available during March 2023, 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. Press releases and stock exchange notifications are typically posted on the company's website, www.nelhydrogen.com. All 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 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 all meetings of the audit committee. The auditor presents an annual audit plan to the audit committee. The summary of the audit is presented to the audit committee and the board.

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 considered 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, 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 Røtjer
Board member

(Electronically signed)

Jon André Løkke
Board member
(Electronically signed)

Håkon Volldal
CEO
(Electronically signed)

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Consolidated statement of comprehensive income

(Amounts in NOK thousands)

Nel group

	NOTE	2022	2021
Revenue from contracts with customers	2.1, 2.3	914 853	753 096
Other operating income	2.2	78 728	44 905
Total revenue and operating income		993 581	798 001
Raw materials	2.4	584 815	551 695
Personnel expenses	2.5	664 815	472 010
Depreciation and amortisation	3.1, 3.2	171 483	103 116
Impairment of tangible and intangible assets	3.1, 3.2	327 298	4 500
Other operating expenses	2.6	523 824	249 533
Total operating expenses		2 272 235	1 380 854
Operating loss		-1 278 654	-582 853
Finance income	2.7	97 629	28 276
Finance costs	2.7	-5 972	-1 129 224
Share of profit (loss) from associates and joint ventures	3.4	0	-35
Pre-tax income (loss)		-1 186 997	-1 683 836
Tax expense (-income)	2.8	-15 828	-16 984
Net income (loss) attributable to equity holders of the company		-1 171 169	-1 666 852
OTHER COMPREHENSIVE INCOME THAT ARE OR MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS (NET OF TAX)			
Currency translation differences		65 035	-7 108
Cash flow hedges, effective portion of changes in fair value	6.5	-6 900	-3 086
Cash flow hedges, reclassified	6.5	-6 848	-3 244
Comprehensive income attributable to equity holders of the company		-1 119 882	-1 680 290
Earnings per share (NOK) attributable to Nel shareholders	2.9	-0.76	-1.15
Diluted earnings per share (NOK) attributable to Nel shareholders	2.9	-0.76	-1.15

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	2022	2021
NON-CURRENT ASSETS			
Technology	3.1	547 387	496 579
Customer relationship	3.1	21 489	32 381
Goodwill	3.1	365 580	615 184
Property, plant and equipment	3.2, 3.3	785 488	623 514
Investments in associates and joint ventures	3.4	2 886	2 298
Non-current financial assets	3.5	250 072	92 889
Total non-current assets		1 972 902	1 862 845
CURRENT ASSETS			
Inventories	4.1	504 595	328 465
Trade receivables	4.2	460 735	211 408
Contract assets	2.1	96 322	178 769
Other current assets	4.3	777 408	702 728
Cash and cash equivalents	4.4	3 138 550	2 722 769
Total current assets		4 977 610	4 144 139
TOTAL ASSETS		6 950 512	6 006 984

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	2022	2021
EQUITY			
Share capital	5.1	312 665	292 160
Treasury shares	5.1	-84	-81
Share premium	5.1	7 098 186	5 596 248
Other capital reserves	5.1	61 768	53 422
Retained earnings	5.1	-2 142 805	-971 636
Other components of equity	5.1	119 878	68 591
Total equity		5 449 608	5 038 704
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.8	45 529	48 543
Long-term debt	5.2	22 431	23 191
Lease liabilities	3.3	170 177	113 505
Deferred income	5.3	64 049	69 537
Other non-current liabilities	5.4	7 102	8 452
Total non-current liabilites		309 288	263 228
CURRENT LIABILITIES			
Trade payables		201 744	132 962
Lease liabilities	3.3	30 438	19 916
Contract liabilities	2.1	672 291	360 821
Other current liabilities	5.4	133 704	103 246
Provisions	5.5	153 440	88 106
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 consolidated financial statements.

Consolidated statement of cash flows

(Amounts in NOK thousands)

		Nel group	
	NOTE	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Pre-tax income (loss)		-1 186 997	-1 683 836
Adjustments for interest expense	2.7	11 166	3 678
Depreciation, amortisation and impairment	3.1, 3.2	498 781	107 616
Change in fair value equity instruments	2.7, 4.3	30 614	1 113 189
Equity-settled share-based compensation expense	2.5	8 342	9
Change in provisions	5.5	65 334	13 371
Change in inventories	4.1	-176 130	-91 336
Change in trade receivables and contract balances	2.1, 4.2	144 590	6 987
Change in trade payables		68 782	51 392
Changes in other balances	4.3, 5.4	-155 062	29 471
Net cash flow from operating activities		-690 580	-449 458
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3.2	-160 486	-258 283
Payments for capitalised technology	3.1	-118 251	-118 870
Purchase of other investments	3.5, 4.3	-206 450	-46 966
Investments in other financial assets	3.5	-5 296	-13 125
Proceeds from sales of property, plant and equipment	3.2	0	26 056
Investments in associates and joint ventures	3.4	-1 160	-1 272
Proceeds from sales of other investments	3.5, 4.3	88 555	38 844
Net cash flow from investing activities		-403 088	-373 616
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid	2.7	-11 166	-3 678
Gross cash flow from share issues	5.1	1 545 866	1 255 103
Transaction costs from share issues	5.1	-23 426	-15 562
Payment of lease liabilities	3.3	-14 400	-15 467
Payment of non-current liabilities	5.2	-1 889	-4 464
Net cash flow from financing activities		1 494 985	1 215 932
Effect of exchange rate changes on cash		14 464	-2 943
Net change in cash and cash equivalents		415 781	389 915
Cash balance as of 01.01	4.4	2 722 769	2 332 854
Cash balance as of 31.12	4.4	3 138 550	2 722 769

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 31.12.2020	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
Total comprehensive income					-1 171 169	65 035	-13 748	-1 119 882
Increase of capital 2022	20 505		1 501 935					1 522 440
Options and share program		-3	3	8 346				8 346
Other changes					-			0
Equity as of 31.12.2022	312 665	-84	7 098 186	61 768	-2 142 805	128 512	-8 634	5 449 608

OSLO, 27 FEBRUARY 2023

THE BOARD OF DIRECTORS

Ole Enger
Chair

(Electronically signed)

Beatriz Malo de Molina
Board member

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Charlotta Falvin
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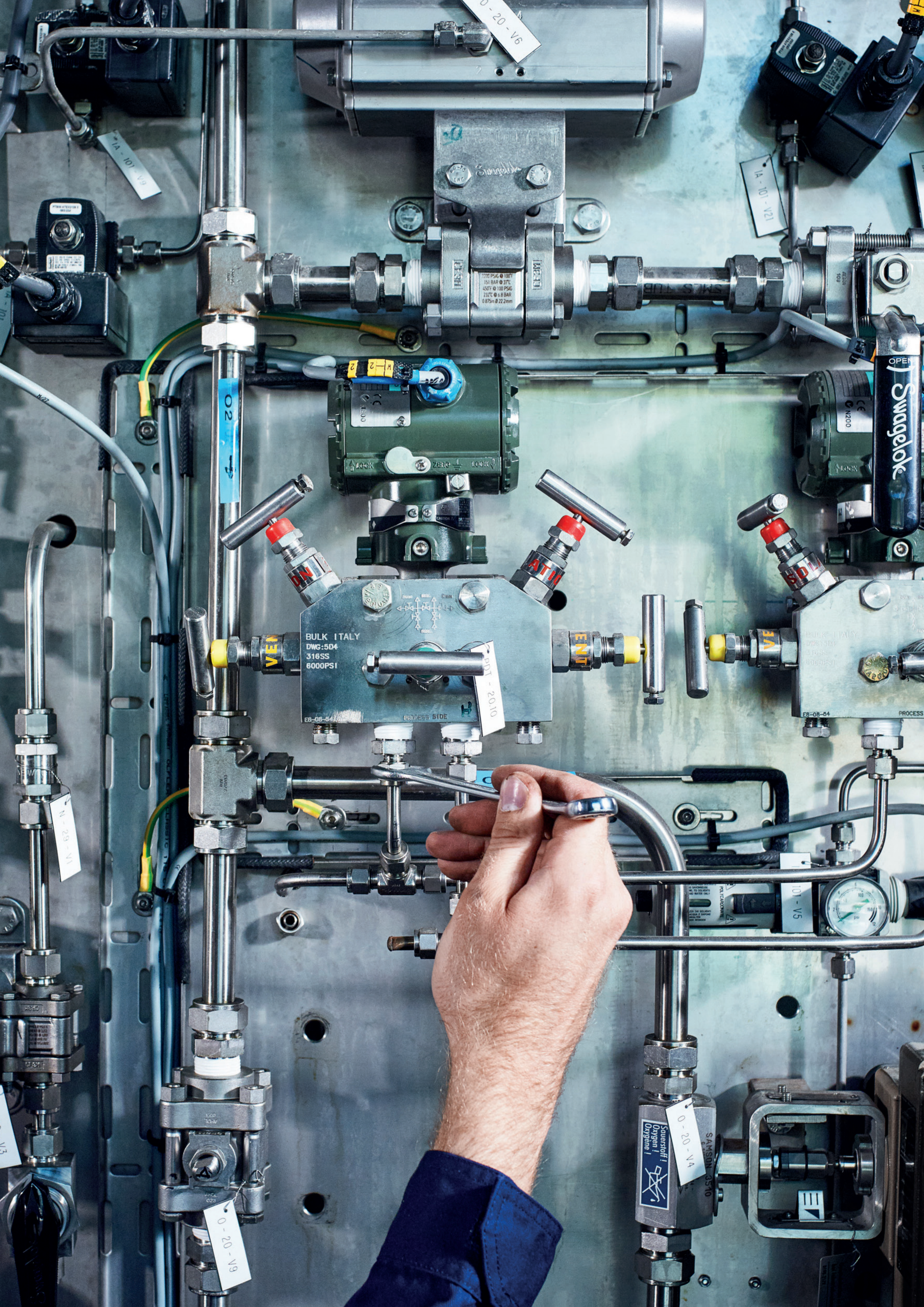
Jon André Løkke
Board member
(Electronically signed)

Håkon Volldal
CEO
(Electronically signed)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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 company is domiciled in Norway. The company specializes in electrolyser technology for production of renewable hydrogen, and hydrogen fueling equipment for road-going vehicles. Nel's product offerings are key enablers for a renewable hydrogen economy, making it possible to decarbonize various industries such as transportation, refining, steel, and ammonia.

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 February 27, 2023.

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 2022. 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 cost' 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 and 6.5.

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
Impairment of non-derivative financial assets	4.4
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 the current year, including amendments to IAS 37 and measurement of onerous contracts. 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 earns 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, 49% (58%) and 51% (42%) of revenue in 2022, 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 timing of revenue from contracts with customers:

Performance obligations

In determining whether revenue from a 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 customer, then the contract would likely meet the criteria of no alternative 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

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

i) Timing

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, commodity prices, foreign currency and Nel's manufacturing capacity, productivity and quality.

ii) Amount

Liquidated damages (LDs)

LDs are pre-defined penalties for breaches of contract. LDs are most commonly used with respect to delay. 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 of 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 Electrolyser US division, aftermarket segment in the Electrolyser Norway division and the Fueling divison.

Customised equipment

Most of Nel's revenue stems from standard equipment, however, in certain contracts the customisation required qualifies customised equipment. Customised equipment occurs when Nel is creating a good that it cannot sell to another customer without significant re-work and Nel would incur significant economic losses to direct the asset for another use. Such sale of customised equipment is recognised as revenue over-time if 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 assessment of standard or customised equipment. Revenue for installation and commissioning is recognised over-time measuring progress using input method cost-to-cost.

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:

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

	2022			2021		
SEGMENTS	FUELING	ELECTROLYSER	TOTAL	FUELING	ELECTROLYSER	TOTAL
Type of goods or service						
Equipment and projects	151 377	630 960	782 337	220 321	379 844	600 165
Service and aftermarket	56 662	75 854	132 516	96 845	56 086	152 931
TOTAL Revenue from contracts with customers	208 039	706 814	914 853	317 165	435 930	753 096
Timing of revenue recognition						
Revenue recognised at point in time	151 377	297 036	448 413	220 321	219 820	440 140
Revenue recognised over time	56 662	409 777	466 440	96 845	216 111	312 955
TOTAL Revenue from contracts with customers	208 039	706 814	914 853	317 165	435 930	753 096

Onerous contracts. 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'.

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".

	2022			2021		
CONTRACT BALANCES	CONTRACT ASSETS	CONTRACT LIABILITIES	TOTAL	CONTRACT ASSETS	CONTRACT LIABILITY	TOTAL
Rights to consideration on contracts in progress	556 141	525 812	1 081 953	477 688	332 324	810 011
Less - advances and progress billings	-459 819	-1 198 103	-1 657 922	-298 919	-693 145	-992 063
TOTAL Contract assets (liabilities)	96 322	-672 291		178 769	-360 821	

CONTRACT LIABILITIES	2022	2021
Balance as of 01.01.	-360 821	-193 082
Revenue from amounts included in contract liabilities at the beginning of the period	251 205	129 125
Billings and advances received not recognised as revenue in the period	-554 596	-292 133
Basis adjustment - effect of hedge accounting	-8 080	-4 731
Balance as of 31.12.	-672 291	-360 821

CONTRACT ASSETS	2022	2021
Balance as of 01.01.	178 769	127 976
Transfers from contract assets recognised at the beginning of the period to receivables	-167 774	-103 613
Increases due to measure of progress in the period	83 271	161 251
Revaluation	2 056	-6 845
Balance as of 31.12.	96 322	178 769

Order backlog

The performance obligations in contracts with customers vary from a few months to 4 years. The order backlog as of December 31, 2022, was NOK 2 612.6 million (2021: NOK 1 230.1 million). The order backlog in electrolyser and fueling is NOK 2 224.5 million and NOK 388.1 million, respectively. The transaction price allocated to the remaining performance obligations is illustrated in table below:

AS OF 31.12.2022	2023	2024	2025	2026 OR LATER	TOTAL BACKLOG
Partly unsatisfied performance obligations	1 166 434	989 315	66 529	11 596	2 233 875
Unsatisfied performance obligations	336 133	42 602	0	0	378 735
TOTAL backlog	1 502 568	1 031 917	66 529	11 596	2 612 610

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

Revenue recognised in 2022 for performance obligations delivered in prior years due to revenue being constrained was NOK 0 (2021: 0)

2.2 Other operating income

OTHER OPERATING INCOME	2022	2021
Government grants	22 307	14 679
Research and design study reports	34 549	25 637
Sub-lease	2 205	1 920
Gain and loss on disposal of property, plant and equipment	0	2 254
Other income	19 667	416
TOTAL Other operating income	78 728	44 905

Other income includes NOK 19.5 million as warranty compensation from supplier for replacement of equipment delivered to customers in the fueling division.

Government grants within 'other operating income'

SEGMENT	COUNTRY	2022	2021
Electrolyser	Norway	4 638	466
Fueling	Denmark	17 668	14 213
TOTAL		22 307	14 679

Government grants related to assets, amortised	22 307	14 679
TOTAL	22 307	14 679

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.

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.

NEL HYDROGEN FUELING

Nel Hydrogen Fueling is a manufacturer of hydrogen fueling stations for Fuel Cell Electric Vehicles. Nel's H2Station® manufacturing plant is located in Herning, Denmark.

NEL HYDROGEN ELECTROLYSER

The Nel Hydrogen Electrolyser division is a global supplier of hydrogen production equipment based on both alkaline and PEM water electrolysis technology. Nel Hydrogen Electrolyser currently has production facilities in Herøya, Norway, and in Wallingford, Connecticut, USA.

2022	OPERATING SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING	ELECTROLYSER	OTHER[1]	TOTAL
Norway	422	6 073	0	6 495
United States	103 498	337 544	0	441 041
North America ex United States	8 760	9 131	0	17 891
Asia	28 979	108 247	0	137 226
Europe ex Norway	66 380	201 397	0	267 777
Middle East	0	26 218	0	26 218
Africa	0	13 206	0	13 206
South America	0	3 487	0	3 487
Oceania	0	1 512	0	1 512
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	208 039	706 814	0	914 853
Other operating income	37 183	41 545	0	78 728
Operating expenses	-596 925	-1 052 054	-124 475	-1 773 454
EBITDA	-351 703	-303 695	-124 475	-779 873
Depreciation and amortisation	-47 448	-116 372	-7 663	-171 483
Impairment of tangible and intangible assets	-327 298	0	0	-327 298
OPERATING LOSS	-726 449	-420 067	-132 138	-1 278 654
Finance income	12	5 044	92 573	97 629
Finance costs	3 417	-16 801	7 412	-5 972
Tax income (expense)	8 318	6 586	924	15 828
NET INCOME (LOSS)	-714 702	-425 238	-31 229	-1 171 169
TOTAL ASSETS	1 005 347	2 427 284	3 517 881	6 950 512
TOTAL LIABILITIES	456 231	977 392	67 282	1 500 905
Capital expenditures	54 373	229 660	1 160	285 193

[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 2022, revenue from single customers above 10% of total revenues include Nikola Corporation (electrolyser), recognised revenue of NOK 164.8 million.

In 2021, revenue from single customers above 10% of total revenues include Iberdrola (electrolyser) and Iwatani Corporation of America (fueling), recognised revenue of NOK 128.4 and NOK 147.3, respectively.

(Amounts in NOK thousands)

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	-1 666 852
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 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.

2.4 Raw materials

(Amounts in NOK thousands)

	2022	2021
Raw material	557 149	528 699
Freight expense	13 939	12 346
Other consumables	13 728	10 650
TOTAL	584 815	551 695

2.5 Personnel expenses

(Amounts in NOK thousands)

	2022	2021
Salaries	581 677	471 735
Social security tax	51 843	37 544
Pension expense	29 508	22 926
Other payroll expenses [1])	41 584	27 042
Capitalised salary to technology development	-39 796	-87 237
TOTAL	664 815	472 010

[1]) Included here are expenses amounting to NOK 7.6 million (8.9 in 2021) related to the Group's share option program.

	2022	2021
Average number of full time employees	580	486
Hereof women	105	90

SHARE OPTION PROGRAM

In 2021, Nel compensated employees with share options as part of a program to incentivize and retain key employees. The share option program was distributed groupwide and granted shares to all employees employed in the group during 2021 on certain tenure conditions. When granted, there is only service-time based vesting conditions. Vesting requires the option holder to still 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. Refer below for additional information on share option program 2019, 2020 and 2021. The share option program for all employees was terminated in 2022 and was replaced by a STI bonus scheme linked to employee performance and Nel's financial performance.

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 2022 was NOK 8.3 (9.5) million. The total social security accruals at the end of the year are NOK 0.0 (0.7) 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 0.1 (37.9) million as of 31 December 2022.

Key assumptions option pricing model

	2021	2020
Volatility	63.04%	28.65%
Interest rate	0.96%	0.149%
Dividend	0.00	0.00

No new share options were issued in 2022.

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 groups' equity-settled share-based payments are measured at fair value at the grant date.

(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 2019 [2]	5 032	0	-4 487	-528	17	7.80	5.00	0.51
July 2020 [2]	10 816	0	0	-1 308	9 508	21.72	-	1.52
July 2021 [2]	7 588	0	0	-888	6 699	15.13	-	2.63
TOTAL	23 436	0	-4 487	-2 724	16 225			

	VESTED [2]					EXPIRY [2]			
NAME	2022	2023	2024	2025	TOTAL	2023	2024	2025	EXPENSE FOR THE PERIOD [3]
Håkon Volldal	0	0	0	0	0	0	0	0	0
Kjell Christian Bjørnsen	128	254	93	0	476	0	321	155	250
Anders Søreng	124	248	93	0	465	0	310	155	277
Filip Smeets	128	254	93	0	476	0	0	476	250
Esa Laukkanen	0	0	0	0	0	0	0	0	0
Robert Borin	0	0	0	0	0	0	0	0	0
Jørn Rosenlund	0	0	0	0	0	0	0	0	-441
Hans Hide	126	254	96	0	476	0	316	160	288
Stein Ove Erdal	140	274	96	0	510	0	350	160	303
Caroline Duyckaerts	0	62	93	0	155	0	0	155	114
Other employees	3 187	7 025	3 456	0	13 667	17	7 891	5 759	7 300
TOTAL	3 834	8 371	4 020	0	16 225	17	9 187	7 020	8 342

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

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 2022 was 15.5 (13.8). As shown in the table above, the share options exercised during 2022 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)

	2022	2021
Research and development expenditure	73 942	21 378
Utilities	23 809	12 398
Professional fees	116 108	79 046
Travel expenses	37 227	18 188
IT and communication costs	25 891	18 527
Changes in provisions	46 178	17 368
Repair and maintenance	10 572	5 577
Premises costs	29 147	12 182
Sub supplier services	76 337	29 993
Other expenses	84 611	34 876
TOTAL Other operating expenses	523 824	249 533

2.7 Finance income and cost

(Amounts in NOK thousands)

	2022	2021
Interest income	72 201	19 735
Change in fair value financial instruments	19 504	7 586
Other	5 924	954
Finance income	97 629	28 276
Interest expense	693	1 140
Interest expense lease liabilities	10 473	8 792
Capitalised interest	0	-5 902
Net foreign exchange loss	-56 459	3 526
Change in fair value financial instruments	50 118	1 120 776
Other	1 147	893
Finance cost	5 972	1 129 224
Net finance income (cost)	91 657	-1 100 948

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 26.2 (-1 073.0) million and NOK 23.9 (-47.8) million, respectively. For additional information, refer note 4.3. Net foreign exchange gain 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 497.3 million of tax amounts from tax losses carried forward (NOK 420.0 million in 2021). 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 532.5 million in 2022 (399.1 in 2021).

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2022	2021
Income (loss) before tax	-1 186 997	-1 683 836
Permanent differences	365 343	1 094 455
Change in temporary differences	183 538	76 041
Use of tax losses carried forward	-149 070	-12 331
The year's taxable income	-787 186	-525 671

RECONCILIATION OF TAX EXPENSE TO NORWEGIAN NOMINAL STATUTORY TAX RATE		
Nominal tax rate	22 %	22 %
Income (loss) before tax	-1 186 997	-1 683 836
Tax this years income (loss), estimated	-261 139	-370 444
Tax effect of:		
Tax rates different from Norway	2 833	1 960
Permanent differences	78 196	242 500
Change in tax rates recognised in temporary differences	-3 702	0
Change in deferred tax	-8 103	-7 405
Change in not recognized deferred tax assets (tax liabilities)	163 930	123 411
Other differences	12 158	-7 068
Currency translation differences	0	62
Income tax expense	-15 828	-16 984

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	-7 726	-9 579
Change in deferred tax	-8 103	-7 405
Total income tax expense (income)	-15 828	-16 984

TAX EFFECTS OF TEMPORARY DIFFERENCES	2022	2021
Trade receivables and customers contracts	-12 949	-1 593
Intangible assets	38 663	69 546
Property, plant and equipment	8 762	5 093
Inventories	-147	5 076
Accrued warranty	-16 726	-13 519
Leases	-6 530	-4 889
Deferred income	-15 700	-4 811
Other accruals	-30 500	-45 864
Shares and other investments	0	11 922
Tax losses carry forward	-497 326	-420 013
Deferred tax asset	-532 453	-399 052

RECONCILIATION TO STATEMENT OF FINANCIAL POSITION	2022	2021
Deferred tax asset	-532 453	-399 052
Deferred tax asset not recognised in statement of financial position	577 982	447 595
Deferred tax liability in the statement of financial position	45 529	48 543

CHANGES IN RECOGNISED DEFERRED TAX LIABILITY	2022	2021
Balance as of 01.01.	48 543	55 144
Recognised in the income statement	-8 103	-7 405
Translation differences on deferred taxes	5 089	804
Balance as of 31.12.	45 529	48 543

The majority of the deferred tax asset is related to tax losses carry forward. As of 31 December 2022, 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	2022	2021
Norway	233 084	188 442
Denmark	170 687	104 349
United States	88 753	122 878
South Korea	4 802	4 344
Balance as of 31.12.	497 326	420 013

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)

	2022	2021
Net loss attributable to the equity holders of the parent company and for the purpose of basic and diluted shares	-1 171 169	-1 666 852
Basic earnings per share		
Issued ordinary shares at 1 January	1 460 799	1 407 797
Share options exercised	4 487	3 502
Share issued	98 039	49 500
Issued ordinary shares at 31 December	1 563 325	1 460 799
Effect of weighting (share options exercised and share issued during the year)	-25 202	-48
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 538 123	1 460 751
Basic earnings per share for loss attributable to the equity holders of the parent company (NOK)	-0.76	-1.14
Diluted earnings per share		
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 538 123	1 460 751
Effect of share options on issue [1)]	0	0
Weighted-average number of shares outstanding for the purpose of diluted earnings per share	1 538 123	1 460 751
Diluted earnings per share for loss attributable to the equity holders of the parent company (NOK)	-0.76	-1.14

[1)] As of 31 December 2022, 16 224 525 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 60 and 59 full time employees working directly with R&D in the electrolyser and fueling division, respectively. Of the 60 full time employees working with electrolysers, 40 engineers are dedicated to technology at Proton OnSite in Wallingford, U.S. and 20 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 has recognised on the statement of Financial Position Technology from internal development of NOK 262.3 (189.4) million as of 31.12.2022.

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 has recognised on the statement of Financial Position Technology from internal development of NOK 71.9 (109.1) million as of 31.12.2022.

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 have the intention and ability to complete. Nel categorise its intention and ability to complete in a matrix with the overarching risk to complete buckets low, medium and high. In the phase of a project where the risk of completing is medium to high, then the development costs are expensed as incurred. A capitalised development project commence amortisation when a succesful pilot is demonstrated. After a succesful pilot, the technology is in the condition necessary for it to be capable of operating in the manner indented by management and enters 'ramp-up' stage. Subsequent expenditure is maintenance of existing technology (expensed).

Total technology spend for 2022 was NOK 248.4 (172.6) million, of which NOK 118.3 (118.9) million and NOK 130.1 (53.8) million has been capitalised and expensed, respectively.

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 occurs 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 01.01.2021	630 430	96 812	620 198	1 347 440
Additions from internal development	99 160	0	0	99 160
Additions acquired 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
Additions from internal development	115 742	0	0	115 742
Additions acquired separately	2 509	0	0	2 509
Disposals	-26 100	0	0	-26 100
Currency effects	45 598	2 418	46 835	94 851
Acquisition cost as of 31.12.2022	886 556	99 195	662 485	1 648 237
Accumulated amortisation and impairment as of 01.01.2021	203 089	52 117	467	255 673
Amortisation	52 918	12 278	0	65 196
Reclassification	-97	0	0	-97
Impairment	-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
Amortisation	69 313	13 310	0	82 623
Reversed amortisation disposals	-20 772	0	0	-20 772
Reclassification	1 632	0	0	1 632
Impairment	30 860	0	296 438	327 298
Currency effects	5 908	0	0	5 908
Accumulated amortisation and impairment as of 31.12.2022	339 169	77 705	296 905	713 779
Carrying value as of 31.12.2021	496 579	32 381	615 184	1 144 144
Carrying value as of 31.12.2022	547 387	21 489	365 580	934 456

Impairment loss NOK 327.3 (0.0) million, from categories Technology and Goodwill, is included within "Impairment of tangible and intangible assets" in profit or loss. The impairment of technology is related to the technology development of fueling stations for the Light-Duty vehicles segment. The assessment includes uncertainty of future economic benefits from these products, both from actuals historical results and as Fueling develops new technology that will replace existing. Fueling will focus on developing its core technology with special focus on high-pressure compression, cooling and control. The fueling division will continue to invest in the development of next generation Heavy-Duty Vehicle ("HDV") equipment such as high-capacity station modules and dispensers.

Specification of carrying amount

2022

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	GOODWILL	TOTAL
Internal development	334 176	0	0	334 176
Acquired separately	881	0	0	881
Acquired through business combinations	212 331	21 489	365 580	599 401
Carrying value as of 31.12.2022	547 387	21 489	365 580	934 456

2021

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	GOODWILL	TOTAL
Internal development	298 539	0	0	298 539
Acquired 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

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 2022. Impairment losses are recognised where the recoverable amount is less than the carrying amount. The group has recognised goodwill impairment expense of NOK 296.4 (0.0) in 2022, impairing goodwill in the Fueling division which occurred initially from the acquisition of Fueling in 2015 when Nel bought the division for NOK 300 million. The impairment charge was primarily due to the reduction in the projected growth rate for the Fueling division as a consequence of the weaker order intake in 2022, increasing personnel cost, combined with high quality costs on delivered stations out in the field. In addition, the pre-tax nominal WACC rate increased to 14.0% in 2022 (8.5% in 2021) mainly due to the increase in the risk-free rate in response to raising inflation in Europe during 2022.

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 and
- Fueling

SPECIFICATION OF ALLOCATED GOODWILL PER CGU	2022	2021
Electrolyser US	304 216	272 184
Electrolyser Norway	61 364	61 364
Fueling	0	281 635
Balance as of 31.12.	365 580	615 184

Market capitalisation

The group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing indicators of impairment. As of 31 December 2022, 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 2021 the market capitalisation was 5 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 and gross margin
- 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 2027 is not a steady state of the hydrogen industry and not for Nel, specifically. Nel has applied declining growth rates starting from 2027, declining yearly down to 2.5%. The 2.5% growth rate is applied from year 2028, 2029 and 2031 for the divisions Fueling, Electrolyser US and Electrolyser Norway, respectively.

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 14.0 % to 15.0 %.

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	304 216	61 364	0
Other intangible assets	342 003	141 492	83 582
Other invested capital	128 857	485 655	195 592
Carrying value	775 076	688 511	279 174
Recoverable amount	1 057 410	1 640 296	279 174
Headroom	282 334	951 785	0
Pre-tax nominal discount rate	15.0 %	14.8 %	14.0 %
Terminal growth rate	2.5 %	2.5 %	2.5 %

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%	-89	454	997	1 537	2 073
	-1.0%	-355	120	596	1 068	1 537
	0.0%	-562	-140	**281***	700	1 115
	1.0%	-726	-348	29	404	775
	2.0%	-858	-517	-176	163	498

* 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. 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%	377	1 078	1 779	2 480	3 181
	-1.0%	92	703	1 315	1 926	2 537
	0.0%	-130	411	**952***	1 493	2 034
	1.0%	-306	178	662	1 146	1 630
	2.0%	-448	-11	426	863	1 300

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

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 to 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%	-232	55	343	631	918
	-1.0%	-350	-101	149	398	648
	0.0%	-439	-220	**0***	220	439
	1.0%	-508	-312	-117	79	275
	2.0%	-562	-386	-210	-33	143

* 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 2.5%, all else being equal. Additional sensitivities for the Fueling division has not been included as headroom in the valuation is zero. 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
Revenue growth multiple [1]	Total multiple growth in NOK from 2022 to terminal	1.0%	-0.1	-3.5
		0.0%	-0.9	-4.2
		-1.0%	-1.6	-4.9
Gross margin [2]	Perecentage points in terminal	1.0%	-0.2%	-5.0%
		0.0%	-1.6%	-6.0%
		-1.0%	-2.9%	-7.0%
Free cash flow margin [3]	Perecentage points in terminal	1.0%	-0.2%	-3.9%
		0.0%	-1.7%	-4.7%
		-1.0%	-3.0%	-5.4%

[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 01.01.2021	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
Additions	86 653	32 211	41 097	405	120	35 961	196 447
Disposals	0	-1 074	-2 738	0	-492	0	-4 304
Reclassification	-354 831	9 468	340 505	0	6 432	0	1 574
Remeasurement	0	0	0	0	0	43 117	43 117
Currency effects	857	6 890	3 293	4 508	26	2 013	17 587
Acquisition cost as of 31.12.2022	81 614	107 614	440 535	125 218	12 139	232 833	999 953
Accumulated depreciation as of 01.01.2021	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
Depreciation	0	20 703	42 055	4 078	667	21 358	88 860
Reversed depreciation disposals	0	-1 017	-1 127	0	-306	0	-2 450
Reclassification	-16 327	217	16 051	0	0	0	-58
Currency effects	0	3 400	2 162	531	1	0	6 094
Accumulated depreciation as of 31.12.2022	0	49 562	82 656	18 001	2 343	61 902	214 464
Carrying value as of 31.12.2021	332 608	33 860	34 863	106 913	4 073	111 197	623 514
Carrying value as of 31.12.2022	81 614	58 052	357 879	107 216	9 796	170 931	785 488

PROPERTY, PLANT AND EQUIPMENT GEOGRAPHICAL AREA	2022	2021
Norway	562 761	461 994
Denmark	111 225	106 262
USA	107 959	49 919
South Korea	3 543	5 339
Balance as of 31.12.	785 488	623 514

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

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

Herøya expansion

In 2022, Nel initiated a continued expansion at Herøya in Norway with an additional 500 MW alkaline production line, expected to be operational from April 2024. The carrying amount for the Herøya second line expansion is NOK 55 million as of 31 December 2022. Total contractual commitments beyond December 2022 for the second line are NOK 230 million, including purchase contracts for all the physical equipment needed.

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.

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 01.01.2021	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	92 272	15 841	2 563	522	111 197
Additions	0	35 469	492	0	35 961
Remeasurement	42 404	1 033	-320	0	43 117
Depreciation	-12 064	-7 940	-1 233	-121	-21 358
Translation difference	1 449	435	108	22	2 013
As of 31.12.2022 (note 3.2)	124 061	44 839	1 608	423	170 931

In December 2022, the group reassessed the extension option within the lease agreement of Wallingford (US). The lease agreement expires in July 2024 with two extension options for 5-year periods exercisable in July 2024 (extending termination date to July 2029) and July 2029 (extending termination date to July 2034). The reassessment evaluated Nel's recent plans to increase the production capacity in US, including the budget planned for capital expenditure in 2023, and economic incentives for do not reallocate skilled staff and its fixed assets. The conclusion is that Nel is reasonably certain to exercise the first extension option expiring in July 2024.

As of 31 December 2022, the economic incentives for the extension due in July 2029 were considered unclear and not reasonably certain due to the uncertainties about the size of the capacity expansion, total investment and location.

The reassessment resulted in an increase of the right-of-use assets and lease liabilities of NOK 42.4 million in 2022.

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)

	2022	2021
Balance as of 01.01.	133 421	91 416
Additions	35 961	15 155
Remeasurement	43 117	35 992
Accretion of interest	10 473	8 792
Lease payments	-24 873	-18 357
Translation differences	2 515	423
Balance as of 31.12.	200 615	133 421
Current	30 438	19 916
Non-current	170 177	113 505
Balance as of 31.12.	200 615	133 421

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 86.5 (73.8) million as of 31.12.2022. 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)

	2022	2021
Balance as of 01.01.	133 421	91 416
Cash flows principal amount	-14 400	-15 467
Cash flows interests	-10 473	-2 890
Non-cash changes:		
Additions and remeasurements	79 078	51 147
Accretion of interest expense	10 473	2 890
Accretion of capitalised interests	0	5 902
Foreign currency effects	2 515	423
Balance as of 31.12.	200 615	133 421

Amounts recognised in profit or loss

(Amounts in NOK thousands)

	2022	2021
Depreciation expense of right-of-use assets	-21 358	-14 518
Interest expense on lease liabilities	-10 473	-3 611
Income from subleasing right-of-use assets	2 205	2 379
Expense relating to leases of low-value assets	-208	-203
Expense relating to short-term leases, excluding short-term leases of low-value assets	-32	-131
Variable lease payments	0	0
TOTAL amount recognised in profit or loss	-29,866	-16,084

Other information

Total cash outflow for leases as a lessee	25 113	14 860
Weighted incremental borrowing rate used as discount rate for the measuring of lease liabilities	6.9 %	9.6 %

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.

	2023	2024	2025-2027	2027<
Extension options not reasonably certain to exercise	0	0	0	43 321
Termination options expected to be exercised	0	0	0	0
TOTAL	0	0	0	43 321

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 2022 or 2021.

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	2022	2021	2022	2021
Sagim SAS	France	Electrolyser	37.0%	Associate	100	100	100	100
Hyon AS	Norway	Fueling	17.6%/28.7%	Shares/ Associate	0	572	0	572
Glomfjord Hydrogen AS	Norway	Electrolyser	23.2%	Associate	2 786	1 626	2 786	1 626
SUM associated companies					2 886	2 298	2 886	2 298
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					5 232	4 645	2 886	2 298

Hyon AS (17.6%/28.7%):

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 shares were therefore reclassified from shares in associate (28.7% shareholding) to shares in current investments (17.6% shareholding), refer to note 4.3 for additional information.

3.5 Non-current financial assets

(Amounts in NOK thousands)

	2022	2021
Investment in Hydrogen Energy Network (HyNet)	39 110	31 902
Long-term investments	208 066	56 280
Fair value of derivatives (note 6.4)	189	1 877
Prepayments	159	170
Other non-current financial assets	2 548	2 662
Balance as of 31.12.	250 072	92 889

HYDROGEN ENERGY NETWORK (HYNET)

During 2022, the Group invested additional NOK 5.3 (13.1) million in Hydrogen Energy Network (HyNet). The accumulated cost of shares in HyNet is NOK 39.2 (33.9) million. The transaction and book value is in Korean Won, therefore, the shares are revalued to NOK 39.1 (31.9) million as of 31 December 2022. 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 50.8 (24.7) million relates to outstanding irrevocable letters of credit used as assurance for bid and contract performance, these letters of credit mature between 31 December 2022 and 2 March 2024. As of 31 December 2022, 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 2022, Nel has NOK 107.0 (10.4) as cash collateral for irrevocable letters of credit issued for advance payment guarantees with financial institutions. As of 31 December 2022, 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. In addition, collateral for bank credit lines. As of 31 December 2022, the Group has NOK 49.2 (19.6) 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)

	2022	2021
Raw material	51 478	68 431
Work in progress	120 846	92 133
Finished goods	346 434	188 269
Allowance for obscolete inventory	-14 163	-20 366
Balance as of 31.12.	504 595	328 465

Inventories are measured at the lowest of cost and net realisable value less costs to sell. In both 2022 and 2021, all items of inventories are measured at cost.

The amount of inventories recognised as an expense was NOK 622.2 (510.2) 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)

	2022	2021
Receivables from third-party customers	463 005	212 585
Allowance for expected credit losses	-2 270	-1 177
Balance as of 31.12.	460 735	211 408

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)

	2022	2021
Balance as of 01.01.	1 177	1 046
Net remeasurement of loss allowance	1 093	131
Balance as of 31.12.	2 270	1 177

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)

	2022	2021
Equity instruments	450 296	568 191
VAT net receivable	34 040	7 900
Short-term investments	96 861	39 909
Prepayments	147 422	55 530
Other current assets	48 351	23 022
Fair value of derivatives (note 6.4)	438	8 176
Balance as of 31.12.	777 408	702 728

EQUITY INSTRUMENTS

Nikola Corporation

During 2018 Nel invested USD 5.0 million in Nikola Motor Company Inc (former name). The carrying value as of 31 December 2022 is NOK 0.0 (96.3) million after the sale of all the shares during 2022 for the total consideration of NOK 72.4 million. 2022 includes a finance cost from decline in value of NOK 23.9 in 2022.

Nikola Corporation

(Amounts in NOK thousands)

	SHAREHOLDING	FAIR VALUE USD/ PER SHARE	USD VALUE	USD/NOK	BOOK VALUE
Carrying value as 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 as of 31.12.2021	1 106 520	9.87	10 921	8.82	96 320
Fair value adjustment 2022	0	-3.12	-3 450	0.87	-23 903
Sale of shares 2022	-1 106 520	6.75	-7 472	9.69	-72 417
Carrying value as of 31.12.2022	0		0		0

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 2021 and 2022. The Everfuel shares lock-up period expired on October 29, 2021. Thus, there is no lock-up restriction with the shareholdings as of 31 December 2022.

The carrying value as of 31 December 2022 is NOK 435.8 (471.9) million. The carrying value is calculated as the shareholding of 12 140 255 shares multiplied with closing price in 2022 of NOK 35.90.

Everfuel A/S

(Amounts in NOK thousands)

	SHAREHOLDING	ACQUISITION COST NOK/ PER SHARE	FAIR VALUE NOK/ PER SHARE	BOOK VALUE
Carrying value as of 01.01.2021	12 338 624	0.91	125.00	1 542 328
Private placement	20 485	125.00		2 561
Fair value adjustment 2021			-86.82	-1 073 018
Carrying value as of 31.12.2021	12 359 109	1.12	38.18	471 871
Fair value adjustment 2022				-26 215
Sale of shares 2022	-218 854			-9 820
Carrying value as of 31.12.2022	12 140 255	1.12	35.90	435 836

Hyon

The carrying value as of 31 December 2022 is NOK 14.4 (0.6) million. The carrying value is calculated as the shareholding of 9 804 000 shares multiplied with closing price in 2022 of NOK 1.48. As of 24 January 2023, Nel has divested all its shares in Hyon AS for a total net consideration of about NOK 7 million.

HYON AS

(Amounts in NOK thousands)

	SHAREHOLDING	ACQUISITION COST NOK/ PER SHARE	FAIR VALUE NOK/ PER SHARE	BOOK VALUE
Carrying value as 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 as of 31.12.2021	9 804 000	0.06	0.06	572
Fair value adjustment 2022			1.42	13 889
Carrying value as of 31.12.2022	9 804 000	0.06	1.48	14 461

SHORT-TERM INVESTMENTS

H2NO AS

Per 31 December 2022 the Group holds 44% 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 33.7 (28.1) million per 31 December 2022.

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

Guarantees are included as short-term investments with NOK 61.2 (9.8) 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)

	2022	2021
Cash and cash equivalents	3 125 757	2 714 272
Restricted bank deposits for employees' withheld taxes at 31.12	10 833	7 949
Other restricted bank accounts [1]	1 959	549
Balance as of 31.12.	3 138 550	2 722 769

[1] Other restricted bank accounts comprise 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.

	2022	2021
Norwegian Kroner	2 982 974	2 607 803
US Dollars	107 413	35 783
Danish Kroner	5 266	45 871
Swedish Kroner	7 165	648
Euro	7 061	8 947
GB Pounds	3 014	2 645
Korean Won	10 452	12 574
Polish Zloty	2 411	0
Balance as of 31.12.	3 125 757	2 714 272

Cash and cash equivalents are 95% (95%) in the Norwegian Krone (NOK) at the end of 2022. Approximately NOK 2.5 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 2022, the group's share capital was NOK 312.7 (292.2) million, consisting of 1 563 325 304 (1 460 799 288) 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.

SHAREHOLDERS AS OF 31.12.2022	COUNTRY	NUMBER OF SHARES	OWNERSHIP
BlackRock	United States	63 898 504	4.09 %
Vanguard	United States	51 881 623	3.32 %
Folketrygdfondet	Norway	21 272 689	1.36 %
Nordnet Bank AB	Sweden	18 808 822	1.20 %
Handelsbanken Fonder	Sweden	18 354 083	1.17 %
Legal & General	United Kingdom	17 669 394	1.13 %
Storebrand Asset Management	Norway	15 675 856	1.00 %
Avanza Bank AB	Sweden	12 875 681	0.82 %
DNB Asset Management AS	Norway	11 887 369	0.76 %
Amundi	France	11 745 134	0.75 %
PIMCO	United States	9 790 500	0.63 %
AXA	France	8 168 474	0.52 %
VanEck	United States	8 096 095	0.52 %
Eika Kapitalforvaltning	Norway	7 046 391	0.45 %
Argenta Asset Management SA	Luxembourg	6 817 779	0.44 %
Kommunal Landspensjonskasse	Norway	5 899 760	0.38 %
Equinor Asset Management	Norway	5 896 833	0.38 %
Global X Management Company LLC	United States	5 868 719	0.38 %
green benefit AG	Germany	5 789 841	0.37 %
CPR Asset Management	France	5 703 131	0.36 %
Total 20 largest shareholders		313 146 678	20.03 %
Total remaining shareholders		1 250 178 626	79.97 %
Total number of shares		1 563 325 304	100.00 %

* source: Modular Finance AB

As of 31 December 2022, Nel ASA owns 418 033 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	2022	2021
2) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0.36 %	15 995	16 426
3) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0.27 %	5 353	5 482
4) Nykredit - Vejlevej 3	Nel Hydrogen A/S	2028	0.30 %	1 083	1 283
Balance as of 31.12.				22 431	23 191

Reconciliation of liabilities arising from financing activities

(Amounts in NOK thousands)

	2022	2021
Balance as of 01.01.	23 191	30 284
Payment of loan	-1 889	-4 464
Non-cash changes:		
Accretion of interest	598	598
Foreign currency effects	530	-3 227
Balance as of 31.12.	22 431	23 191

The reconciliation of lease liabilities arising from financing activities is disclosed in note 3.3 leases.

MATURITY ANALYSIS

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

2022

	2023	2024	2025	2026	>2026	TOTAL
Nykredit	1 378	1 415	1 454	1 493	16 691	22 431
Lease liabilities (note 3.3)	31 903	28 926	31 427	30 392	164 469	287 118
Estimated interest cost [1]	504	464	430	430	2 571	4 399
TOTAL long-term debt including interest	33 785	30 805	33 310	32 316	183 731	313 947

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

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.

(Amounts in NOK thousands)

CARRYING AMOUNT OF ASSETS THAT ARE PLEDGED	2022	2021
Other equipment	92	230
Building	65 430	64 904
TOTAL	65 522	65 134

GUARANTEES	2022	2021
Bank guarantees	267 748	33 546

5.3 Deferred income

(Amounts in NOK thousands)

	2022	2021
Government grants	64,049	69,537
TOTAL deferred income	64,049	69,537

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.

rants 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)

	2022	2021
As of 31.12.2021	69 537	63 601
Grants received	15 291	22 145
Income recognised within 'other operating income' in 2022 (note 2.2)	-22 307	-14 679
Translation difference	1 527	-1 530
As of 31.12.2022	64 049	69 537

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

DEFERRED INCOME AGING SCHEDULE	<2019	2019	2020	2021	2022	SUM
Government grants as of 31.12.2022	8 456	11 516	23 039	14 923	6 116	64 049
Government grants as of 31.12.2021	16 603	11 700	24 797	16 437		69 537

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

OPERATING SEGMENT	COUNTRY	2022	2021
Electrolyser Norway	Norway	42 908	41 151
Fueling	Denmark	21 141	28 386
Balance as of 31.12.		64 049	69 537

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

5.4 Other liabilities

OTHER CURRENT LIABILITIES

(Amounts in NOK thousands)

	2022	2021
Vacation allowance and other salary related accruals	41 438	43 534
Public duties payable	24 110	14 809
Other current liabilities	60 417	40 776
Fair value of derivatives (note 6.4)	7 740	4 127
Balance as of 31.12.	133 704	103 246

OTHER NON-CURRENT LIABILITIES

(Amounts in NOK thousands)

	2022	2021
Contingent liabilities	4 569	7 838
Other non-current liabilities	350	450
Fair value of derivatives (note 6.4)	2 182	163
Balance as of 31.12.	7 102	8 452

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.

(Amounts in NOK thousands)

	ACCRUED WARRANTY	EMPLOYEE BENEFITS	SETTLEMENT AND CLAIMS	ONEROUS CONTRACTS	TOTAL
As of 01.01.2021	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
Additions	36 894	21 792	2 748	37 374	98 809
Used during the year	-15 544	-701	-4 182	-5 458	-25 885
Reversal of unused provisions	-11 426	0	-818	-211	-12 454
Foreign currency translation	3 162	0	243	1 459	4 864
As of 31.12.2022	68 546	21 792	21 762	41 340	153 440

ACCRUED WARRANTY

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. Such warranties are limited in time, for most products not exceeding 12 months. Warranty is based on both contractual commitments and caused by liability under background law.

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. Accrued warranty provision is based on experience assumptions and provision comprises a percentage of revenue from contracts with customers, in the range of 3% to 8%.

EMPLOYEE BENEFITS

Nel has short-term incentive bonuses in place for all employees. The provision for bonus incurred in 2022 to be finally measured and paid in 2023 is NOK 21.8 million. In addition, the employee benefits include provision for social security on stock options 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 2022 the provision is mainly related to the potential fines (no: forelegg) for the Kjørbo incident received on February 16, 2021. In 2022 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 or both 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 competing technology and sharing market potential, including 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 also 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 demands of 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 the spending 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 sells 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 3 138.6 million, as per 31.12.2022. 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 group's gross foreign currency risk exposure is significant, with the majority of revenue and expenses denominated in foreign currency. The group mitigates 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.

(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	-316 922	-455 797	45 580	22 790	-22 790	-45 580
USD	-4 272	-40 158	4 016	2 008	-2 008	-4 016
KRW	1 297 634	10 342	-1 034	-517	517	1 034
SEK	-57 721	-59 025	5 903	2 951	-2 951	-5 903
GBP	-65	-715	72	36	-36	-72
EUR	548	5 874	-587	-294	294	587
Effect on net income (loss)			53 948	26 974	-26 974	-53 948
STATEMENT OF FINANCIAL POSITION						
NET RECEIVABLES/LIABILITIES IN FOREIGN CURRENCIES						
DKK	-22 213	-31 255	3 126	1 563	-1 563	-3 126
USD	21 315	181 871	-18 187	-9 094	9 094	18 187
KRW	-	-	-	-	-	-
SEK	-6 616	-6 903	690	345	-345	-690
GBP	-53	-579	58	29	-29	-58
EUR	7 692	80 540	-8 054	-4 027	4 027	8 054
Effect on net income (loss)			-22 367	-11 184	11 184	22 367
Total effect on Net income (loss) and Equity			31 581	15 790	-15 790	-31 581

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 receivable 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 2021 and 2022.

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.

2022	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	
Current (not past due)	0.1 %	207 178	208	
1-30 days past due	0.2 %	118 921	238	
31-60 days past due	0.5 %	22 145	111	
61-90 days past due	0.8 %	21 822	164	
91 days to one year past due	1.1 %	86 541	910	
More than one year past due	10.0 %	6 399	640	
Total		463 005	2 270	0.5 %

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 %

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 expects 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 a 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.

6.4 Climate-related risks and opportunities

Climate-related opportunities

Nel is a pure play renewable hydrogen company. The climate-related opportunities are the company's only opportunities. The assumption from climate-related opportunities in climate-related scenarios have impacted the financial statements. Specifically, the climate-related opportunities are the driver for the revenue and activity growth included in the company's impairment tests. In addition, the climate-related opportunities also impact the assessment of probable future economic benefits from capitalised technology development.

Climate-related risks

The company pursue solely climate-related opportunities; therefore, the company does not have any transformation of any legacy business negatively impacted by the climate-related scenarios. Further analysis of the climate-related risks below:

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 renewable 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 2022, 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 2022, the Group held the following instruments to hedge exposures to changes in foreign currency.

MATURITY/HEDGING INSTRUMENTS		2023-Q1	2023-Q2	2023-Q3	2023-Q4	MORE THAN ONE YEAR	TOTAL
USD	**USD** forward contracts, net	6 915	0	441	0	0	7 356
	Average NOK:USD forward contracts rate	9.60	0.00	9.07	0.00	0.00	9.57
	Hedged NOK, net (nominal amount)	66 364	0	3 999	0	0	70 363
	Fair value USD forward contracts	-1 716	0	-295	0	0	-2 011
SEK	**SEK** forward contracts, net	-22 532	-22 532	0	0	-103 171	-148 236
	Average NOK:SEK forward contracts rate	0.98	0.98	0.00	0.00	0.97	0.97
	Hedged NOK, net (nominal amount)	-22 085	-22 125	0	0	-99 738	-143 948
	Fair value SEK forward contracts	-787	-821	0	0	-2 132	-3 740
GBP	**GBP** forward contracts, net	2 706	0	0	0	0	2 706
	Average NOK:GBP forward contracts rate	11.93	0.00	0.00	0.00	0.00	11.93
	Hedged NOK, net (nominal amount)	32 287	0	0	0	0	32 287
	Fair value GBP forward contracts	245	0	0	0	0	245
EUR	**EUR** forward contracts, net	13 131	7 207	11 923	5 683	21 465	59 409
	Average NOK:EUR forward contracts rate	10.38	10.44	10.48	10.52	10.55	10.48
	Hedged NOK, net (nominal amount)	136 319	75 248	124 917	59 791	226 525	622 800
	Fair value EUR forward contracts	-2 028	-774	-924	-132	138	-3 719
TOTAL hedged NOK, net (nominal amount)		212 885	53 123	128 916	59 791	126 787	581 502
TOTAL fair value, NOK		-4 285	-1 595	-1 219	-132	-1 994	-9 225

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	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
Revenue	438	189	-5 829	-50	-5 253
Raw materials	0	0	-1 840	-2 132	-3 972
Property plant and equipment	0	0	0	0	0
As of 31.12.2022	438	189	-7 669	-2 182	-9 225

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 01.01.2021	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 01.01.2022	7 654	-2 101	0	-439	5 114
Effective portion of changes in fair value	-7 876	-31	153	854	-6 900
Reclassified to profit or loss	-2 930	0	-153	0	-3 084
Reclassified to statement of financial positions (basis adjustment)	-3 349	0	0	-415	-3 764
As of 31.12.2022	-6 502	-2 132	0	0	-8 634

During the year, a hedging gain of NOK 2.9 (4.7) 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)

	2022	2023	2024	2025	TOTAL
Revenue	5 940	1 713	0	0	7 654
Raw materials	-2 101	0	0	0	-2 101
Property, plant and equipment	-439	0	0	0	-439
As of 31.12.2021					5 114
Revenue		-6 640	138	0	-6 502
Raw materials		0	-2 132	0	-2 132
As of 31.12.2022					-8 634

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 2022 or 2021.

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

2022

	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	626			626		626		626
Financial asset - equity instruments		489 406		489 406	450 296		39 110	489 406
SUM	626	489 406		490 033	450 296	626	39 110	490 033
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	-9 851			-9 851		-9 851		-9 851
SUM	-9 851			-9 851		-9 851		-9 851
Financial liabilities not measured at fair value								
Long-term debt			22 431	22 431		22 431		22 431
SUM			22 431	22 431		22 431		22 431

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

The management 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.

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 0.0 (0.0) million.

6.7 Contractual commitments and commitments for future investments

Nel is committed to future investments for Herøya expansion in Norway, see note 3.2 for additional information.

7.1 Composition of the group

The following subsidiaries are included in the consolidated financial statements:

COMPANY	LOCATION	MAIN OPERATIONS	CONSOLIDATED FROM:	OWNERSHIP/ VOTES 2022	OWNERSHIP/ VOTES 2021
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 Electrolyser Germany GmbH	Munich, Germany	Electrolysers sales office	24.10.2022	100 %	100 %
Nel Hydrogen Electrolyser Belgium BV	Brussels, Belgium	Electrolyser sales office	27.09.2021	100 %	100 %
Nel Austria GmbH	Wien, Austria	Fueling sales office	30.03.2022	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

2022

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT 2022	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION[1]	TOTAL REMUNERATION	NUMBER OF SHARES
Håkon Volldal, CEO [2]	2 156	589	96	0	2 842	0
Jon André Løkke, CEO [3]	2 297	1 563	68	1 500	5 428	550 000
Kjell Christian Bjørnsen, CFO	2 837	71	191	0	3 099	0
Anders Søreng, CTO	2 381	62	191	894	3 528	135 000
Jørn Rosenlund, CSO [4]	1 185	0	66	911	2 161	0
Esa Laukkanen, COO [5]	1 140	0	0	0	1 140	0
Robert Borin, SVP Nel Hydrogen Fueling	3 084	79	257	0	3 419	0
Filip Smeets, SVP Nel Hydrogen Electrolyser	2 173	58	0	0	2 232	0
Hans Hide, SVP Projects	2 122	52	191	872	3 236	20 000
Stein Ove Erdal, Vice President Legal and General Counsel	2 192	57	191	872	3 311	0
Caroline Duyckaerts, Chief Human Resources Officer	1 866	50	191	0	2 107	0
TOTAL	23 434	2 582	1 439	5 048	32 502	705 000

[1] Other remuneration is mainly related to share option program and severance pay
[2] Employed in Nel from July 2022. Has a six months notice period, plus is entitled to six months severence pay, if terminated by the company.
[3] Left Nel in June 2022
[4] Left Nel in April 2022
[5] Employed in Nel from August 2022

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.

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	2022	2021
Statutory auditing services	3 073	2 834
Attestation services	160	285
Non-auditing services	0	428
TOTAL	3 233	3 547

In addition to the fees included in the remuneration table above, the group incurred NOK 1.4 (1.4) million in 2022 of attestation services and non-auditing services provided by company other than EY, the group auditor.

FEES TO OTHER AUDITORS ELECTED BY SUBSIDIARIES	2022	2021
Statutory auditing services	0	0
Attestation services	1 435	882
Non-auditing services	0	503
TOTAL	1 435	1 385

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.

2022

BOARD OF DIRECTORS 2022	REMUNERATION	NUMBER OF SHARES	OWNERSHIP
Ole Enger - Chair of the Board	616	149 462	0.01 %
Tom Røtjer	341	0	0.00 %
Beatriz Malo de Molina	341	0	0.00 %
Charlotta Falvin	341	0	0.00 %
Finn Jebsen [1)]	341	50 620	0.00 %
Hanne Blume	341	0	0.00 %
Jon André Løkke	341	550 000	0.04 %
TOTAL	2,659	750 082	0.05 %

[1)] Consisting of shares held through Fateburet AS

AUDIT COMMITTEE 2022	REMUNERATION
Beatriz Malo de Molina - chair of the committee	110
Charlotta Falvin	75
TOTAL	185

REMUNERATION COMMITTEE 2022	REMUNERATION
Hanne Blume - chair of the committee	90
Ole Enger	60
TOTAL	150

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

REMUNERATION COMMITTEE 2021	REMUNERATION
Hanne Blume - chair of the committee	65
Ole Enger	35
TOTAL	100

7.5 Events after the balance sheet date

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 2022.

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.

7 Parent company financial statements

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Statement of comprehensive income

(Amounts in NOK thousands)

	NOTE	Nel ASA 2022	Nel ASA 2021
Revenue from contracts with customers	3	87 989	75 613
Other operating income		1 958	36
Total revenue and operating income		89 947	75 649
Personnel expenses	4	69 070	52 032
Depreciation and amortisation	5	3 463	2 645
Other operating expenses	6	57 251	42 050
Total operating expenses		129 783	96 728
Operating loss		-39 837	-21 079
Finance income	7	133 857	46 853
Finance costs	7	-1 545 964	-50 195
Share of loss from associate and joint venture	8	0	-35
Net financial items		-1 412 107	-3 377
Pre-tax income (loss)		-1 451 943	-24 456
Tax expense	9	0	0
Net income (loss) attributable to equity holders of the company		-1 451 943	-24 456
Other comprehensive income		0	0
Comprehensive income (loss) attributable to equity holders of the company		-1 451 943	-24 456
Appropriation of comprehensive income (loss) and equity transfers			
Dividends proposed		0	0
Retained earnings		-1 451 943	-24 456
Total appropriation		-1 451 943	-24 456

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
ASSETS	NOTE	2022	2021
NON-CURRENT ASSETS			
Property, plant and equipment	5	14 301	9 799
Investments in subsidiaries	8	2 485 429	2 784 947
Investments in associates and joint ventures		0	572
Non-current financial assets	10, 16, 17	159 011	13 118
Long-term receivables group	12	306 779	463 095
Total non-current assets		2 965 521	3 271 530
CURRENT ASSETS			
Trade receivables		74	82
Other current assets	10, 11, 16, 17	80 828	108 779
Cash and cash equivalents	13	2 931 508	2 540 734
Receivables group	12	148 019	96 617
Total current assets		3 160 430	2 746 212
TOTAL ASSETS		6 125 950	6 017 742

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
EQUITY AND LIABILITIES	NOTE	2022	2021
EQUITY			
Paid in capital			
Share capital	14	312 665	292 160
Treasury shares	14	-84	-81
Share premium	14	7 098 185	5 596 247
Other capital reserves	14	61 764	53 420
Accumulated deficits / Retained earnings	14	-1 431 539	20 405
Other components of equity	14	0	0
Total equity		6 040 992	5 962 150
NON-CURRENT LIABILITIES			
Lease liabilities	15	9 631	6 983
Long-term debt group	12	16 098	1 555
Other non-current liabilities	10, 17	2 182	163
Total non-current liabilites		27 912	8 702
CURRENT LIABILITIES			
Current liabilities			
Trade payables		13 342	10 047
Lease liabilities	15	3 574	1 958
Provisions		2 399	445
Short-term liabilities group	12	12 565	17 792
Other non-current liabilities	10, 16, 17	25 166	16 646
Total current liabilities		57 046	46 889
Total liabilities		84 958	55 591
TOTAL EQUITY AND LIABILITIES		6 125 950	6 017 742

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 Røtjer Board member (Electronically signed)
Jon André Løkke Board member (Electronically signed)	Håkon Volldal CEO (Electronically signed)	

Statement of cash flows

(Amounts in NOK thousands)

		Nel ASA	
	NOTE	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		-1 451 943	-24 456
Adjustments for interest expense	7	614	543
Adjustments interests received	7, 12	-46 192	-27 118
Share of loss from associate and joint venture	8	0	35
Equity-settled share-based compensation expense	4	1 525	1 776
Depreciation	5	3 463	2 645
Impairment of financial assets	7	1 484 984	0
Change in fair value equity instruments	11	10 014	47 757
Change in provisions		1 954	-216
Change in account receivables, group receivables		-51 395	-13 714
Change in trade payable and group payables		-1 933	7 290
Changes in other current assets and other liabilities		-32 794	-65 671
Net cash flow from operating activities		-81 704	-71 127
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	-841	-499
Loan given to subsidiaries	7	-917 931	-871 099
Investments in associates and joint ventures	8	0	-1 272
Investments in other financial assets	10	-206 451	-10 572
Proceeds from sales of other investments	10	78 735	39 509
Net cash flow from investing activities		-1 046 487	-843 932
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid	7	-614	-543
Gross cash flow from share issues	14	1 545 866	1 255 103
Transaction costs related to capital increases	14	-23 426	-15 562
Payment of lease liabilities	15	-2 861	-2 233
Net cash flow from financing activities		1 518 966	1 236 765
Net change in cash and cash equivalents		390 774	321 706
Cash balance as of 01.01	13	2 540 734	2 219 029
Cash balance as of 31.12	13	2 931 508	2 540 734

Statement of changes in equity

(Amounts in NOK thousands)

Nel ASA

	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	TREASURY SHARES	RETAINED EARN-INGS	TOTAL EQUITY
Equity as of 31.12.2020	281 559	4 367 305	43 934	-79	44 861	4 737 580
Increase of capital 2021	10 600	1 228 940				1 239 541
Options and share program		1	9 486	-1		9 486
Total comprehensive income					-24 456	-24 456
Equity as of 31.12.2021	292 160	5 596 247	53 420	-81	20 405	5 962 150
Increase of capital 2022	20 505	1 501 935				1 522 440
Options and share program		3	8 344	-3		8 344
Total comprehensive income					-1 451 943	-1 451 943
Equity as of 31.12.2022	312 665	7 098 185	61 764	-84	-1 431 539	6 040 992

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. The company is domiciled in Norway. The company specializes in electrolyser technology for production of renewable hydrogen, and hydrogen fueling equipment for road-going vehicles. Nel's product offerings are key enablers for a renewable hydrogen economy, making it possible to decarbonize various industries such as transportation, refining, steel, and ammonia.

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 27 February 2023.

Note 2 Basis for preparation and significant accounting principles

STATEMENT OF COMPLIANCE

The financial statements of 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 2022. 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 segments, 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 comprises 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	2022	2021
Norway	36,849	16,166
United States	30,922	32,327
Denmark	18,498	22,653
South Korea	1,719	4,466
Total	87,989	75,613

All revenues in 2022 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.

Note 4 Personnel expenses

(Amounts in NOK thousands)

SALARIES AND PERSONNEL EXPENSES	2022	2021
Salaries	51,019	36,928
Social security tax*	9,423	7,729
Pension expense	4,441	3,442
Other payroll expenses**	4,186	3,933
Total	69,070	52,032

* Social security tax includes provisions for social security related to the share option program.

** Included in this amount are expenses amounting to NOK 2.0 (1.8) 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 2022	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION [1]	TOTAL REMUNERATION
Håkon Volldal, CEO [2]	2 156	589	96	0	2 842
Jon André Løkke, CEO [3]	2 297	1 563	68	1 500	5 428
Kjell Christian Bjørnsen, CFO	2 837	71	191	0	3 099
Anders Søreng, CTO	2 381	62	191	894	3 528
Hans Hide, SVP Projects	2 122	52	191	872	3 236
Stein Ove Erdal, Vice President Legal and General Counsel	2 192	57	191	872	3 311
Caroline Duyckaerts, Chief Human Resources Officer	1 866	50	191	0	2 107
Total	15 852	2 444	1 117	4 137	23 550

1) Other remuneration is mainly related to share options

2) Employed in Nel from July 2022. Has a six months notice period, plus is entitled to six months severence pay, if terminated by company.

3) Left Nel in June 2022

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.

SHARE OPTION PROGRAM

To incentivize and retain key employees, Nel currently have a share-based incentive plans, a share option program. Historically, the share option program was groupwide and included all employees in the group. This program ended in 2022, thus no new share options has been issued in 2022. All options issued 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 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 higher of the average price of the Nel ASA share the last five trading days and the closing price of the Nel ASA share on the 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	EXER-CISED	FORFEITED	CLOSING BALANCE	STRIKE PRICE	VALUE [1]	REMAINING CONTRACTUAL LIFE
July 2019 [2]	888	0	-592	-590	-294	7.80	5.00	0.51
July 2020 [2]	1 865	0	0	-326	1 539	21.72	-	1.51
July 2021 [2]	1 348	1 348	0	0	2 697	12.10	-	2.51
TOTAL	4 101	1 348	-592	-916	3 942			

NAME	2023	2024	2025	TOTAL	2024	2025	2026	EXPENSE FOR THE PERIOD [3]
Kjell Christian Bjørnsen	254	93	0	476	0	321	155	250
Anders Søreng	248	93	0	465	0	310	155	277
Hans Hide	254	96	0	476	0	316	160	288
Stein Ove Erdal	274	96	0	510	0	350	160	303
Caroline Duyckaerts	62	93	0	155	0	0	155	114
Other employees	606	1,072	732	1,860	343	568	949	7,300
TOTAL	1,698	1,543	732	3,942	343	1,865	1,734	8,532

[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.

[3] Cost of period does not include social security"

Note 5 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets

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 31.12.2021	915	85	8 799	9 799
Carrying amount as of 31.12.2022	1 393	63	12 845	14 301
Useful life	3 years	5 years	5 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	

Note 6 Other operating expenses

SPECIFICATION OF OTHER OPERATING EXPENSES:	2022	2021
Hardware and common cost office premises	1 637	2 474
Administrative costs	14 566	12 690
Professional fees	37 291	26 109
Travel expenses	3 756	777
Total	57 251	42 050

Auditor fees

FEES TO THE AUDITOR	2022	2021
Statutory auditing services	1 610	1 587
Attestation services	75	175
Non-auditing services	0	327
Total	1 685	2 089

Amounts are exclusive VAT

Note 7 Finance income and cost

	2022	2021
Internal interest income	46 192	26 839
Interest income	71 442	19 735
Change in fair value equity instruments	13 889	0
Other	2 335	279
Finance income	133 857	46 853
Interest expense	-57	-194
Interest expense lease liabilities	-557	-349
Impairment shares in subsidiaries	-1 484 984	0
Net foreign exchange gain/(loss)	58 654	-1 871
Expected credit loss receivables from subsidiaries	-94 624	0
Change in fair value equity instruments	-23 903	-47 757
Other	-492	-24
Finance cost	-1 545 964	-50 195
Net finance income (cost)	-1 412 107	-3 342

The increase in book value of shares in subsidiaries are mainly debt conversions. 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.

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 8 Subsidiaries, associates and joint ventures

COMPANY	OWNERSHIP	REGISTERED OFFICE	FUNCTIONAL CURRENCY	TOTAL EQUITY IN 2022 (FUNCTION-AL CURRENCY THOUSANDS)	NET INCOME(LOSS) 2022 (FUNCTIONAL CURRENCY THOUSANDS)	CARRYING VALUE 2022 (NOK THOUSANDS)	CARRYING VALUE 2021 (NOK THOUSANDS)
Nel Hydrogen Electrolyser AS	100 %	Norway	NOK	511 721	-298 708	1 301 047	799 334
Proton Energy Systems Inc	100 %	USA	USD	23 944	-19 645	1 147 328	895 509
Nel Hydrogen A/S	100 %	Denmark	DKK	79 105	-268 418	0	995 953
Nel Hydrogen Inc	100 %	USA	USD	2 741	-7 230	0	43 249
Nel Korea Co. Ltd	100 %	South Korea	KRW	-10 231 791	-3 503 259	0	13 846
Nel Fuel AS	100 %	Norway	NOK	457 840	-25 848	37 055	37 055
Total						2 485 429	2 784 947

The increase in book value of shares in subsidiaries are mainly debt conversions. 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.

Note 9 Income taxes

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2022	2021
Income (loss) before tax	-1 451 943	-24 456
Permanent differences	1 598 495	35 847
Change in temporary differences	2 519	940
Use of tax losses carried forward	-149 070	-12 331
The year's taxable income	0	0
Tax rate	22 %	22 %
Income (loss) before tax	-1 451 943	-24 456
Tax this years loss, estimated	-319 428	-5 380
Tax effect of:		
Permanent differences	351 669	7 886
Change in temporary differences	-11 922	-10 507
Prior years adjustment	0	419
Change in not recognised deferred tax assets (tax liabilities)	-20 320	7 581
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	2022	2021
Specification of temporary differences:		
Property, plant and equipment and goodwill	-288	-353
Leases	-360	-143
Provisions for liabilities	-4 720	-2 354
Shares and other investments	0	54 189
Tax losses carry forward	-374 637	-523 707
Basis for deferred tax asset	-380 005	-472 368
Nominal tax rates for next year	22 %	22 %
Deferred tax asset	-83 601	-103 921
Deferred tax asset not recognised in Statement of financial position	-83 601	-103 921
Deferred tax asset in the Statement of financial position	0	0

The majority of the deferred tax assets are related to loss carry forward. As of 31 December 2022 it is considered not likely that the tax loss carry forward will be fully utilised in the near future, therefore the deferred tax assets are not capitalised.

Note 10 Specification of balance sheet items

SPECIFICATION OF OTHER CURRENT ASSETS:	2022	2021
Equity instruments	14 461	96 320
Other short-term investments	61 182	332
Prepayments	3 840	3 762
Fair value of currency contracts	438	8 349
Other current receivables	908	16
Total	80 828	108 779

SPECIFICATION OF NON-CURRENT FINANCIAL ASSETS:	2022	2021
Other non-current investments	158 823	11 242
Fair value of currency contracts	189	1 877
Total	159 011	13 118

SPECIFICATION OF OTHER CURRENT LIABILITIES:	2022	2021
Vacation allowance and other salary related accruals	8 191	8 082
VAT net payables	6 099	1 083
Fair value of currency contracts	7 740	4 127
Other current liabilities	3 136	3 355
Total	25 166	16 646

SPECIFICATION OF OTHER NON-CURRENT LIABILITIES:	2022	2021
Fair value of currency contracts	2 182	163
Total	2 182	163

Note 11 Other investments

The fair value of Nel's shareholding in Hyon AS per 31. December 2022 is based on quoted prices in an active market (level 1 in fair value hierarchy) after the listing of Hyon AS on Euronext Growth on January 21, 2022. Fair value of shareholding in Hyon AS per 31 December 2022 shareholding is 14.5 (0.6) million recognised within 'other current assets. The shares are subject to a lock-up period from the IPO. This lock-up period expires on January 21, 2023. Changes in fair value recognised in profit or loss within 'finance income' is 13.9 (0) million in 2022.

The company has sold all 1.106.520 Nikola shares during 2022 at an average share price 6.75 and USD/NOK 9.69. Total USD and NOK received equals 7.471.721 and 72.417.203, respectively. Total realized gain was NOK 30.3 million, or 72% increase since investment NOK 42.1 mill. P&L loss in 2022 equals NOK 23.9 million.

Note 12 Transactions with related parties

LONG TERM INTEREST BEARING RECEIVABLES GROUP	2021	LOAN ISSUE	DEBT CONVERSION	ACCRUED INTERESTS 2022	FX TRANSLATION EFFECTS	OTHER	2022
Nel Hydrogen Electrolyser AS	120,876	390,513	-500,000	13,849	0	0	25,238
Proton Energy Systems Inc	90,598	228,384	-249,420	10,682	20,442	0	100,686
Nel Hydrogen A/S	37,388	327,236	-280,020	10,155	13,185	0	107,944
Nel Hydrogen Inc	85,062	59,113	-149,652	5,315	10,460	0	10,298
Nel Korea Co. Ltd	116,443	0	0	6,068	6,348	-94,624	34,235
Nel Fuel AS	10,895	0	0	111	0	0	11,006
Nel Hydrogen Electrolyser Belgium BV	0	1,254	0	12	8	0	1,274
Total	461,261	1,006,501	-1,179,092	46,192	50,443	-94,624	290,681

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.

	LONG-TERM RECEIVABLE		FINANCIAL LIABILITY	
FINANCIAL GUARANTEES	2022	2021	2022	2021
Nel Hydrogen Electrolyser AS	15 337	772	15 334	717
Proton Energy Systems Inc	588	1 062	591	838
Nel Hydrogen A/S	110	0	110	0
Nel Korea Co. Ltd	63	0	63	0
Total	16 098	1 834	16 098	1 555

Refer note 18 for additional information of financial guarantees.

CURRENT ASSETS	2022	2021
Nel Hydrogen Electrolyser AS	78,656	29,264
Proton Energy Systems Inc	31,391	31,340
Nel Hydrogen A/S	26,190	26,517
Nel Hydrogen Inc	4,990	4,904
Nel Korea Co. Ltd	6,793	4,591
Total	148,019	96,617

CURRENT LIABILITIES	2022	2021
Nel Hydrogen Electrolyser AS	6,463	12,905
Proton Energy Systems Inc	789	1,978
Nel Hydrogen A/S	3,705	2,910
Nel Hydrogen Electrolyser Belgium BV	1,608	0
Total	12,565	17,792

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 2022 charged NOK 88 (75.6) 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	2022	2021
Nel Hydrogen Electrolyser AS	36,849	16,166
Proton Energy Systems Inc	26,395	27,731
Nel Hydrogen A/S	18,498	22,653
Nel Hydrogen Inc	4,527	4,596
Nel Korea Co. Ltd	1,719	4,466
Total	87,989	75,613

Board of Directors

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

Note 13 Cash and cash equivalents

	2022	2021
Cash and cash equivalents	2,929,035	2,538,485
Restricted cash (witheld employee taxes)	2,472	2,249
Total	2,931,508	2,540,734

Cash and cash equivalents are 99% in the Norwegian Krone (NOK) at the end of 2022. Approximately NOK 2.5 billion is placed in 30-days locked interest accounts in several different banks.

Note 14 Share capital and shareholders

For information of shareholders as of 31 December 2022, shares hold by executive 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 15 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:

	2022	2021
1. January	8,942	786
Additions	7,243	8,996
Remeasurement	-119	1,391
Accretion of interest	557	350
Lease payments	-3,418	-2,582
Balance as of 31.12.	13,205	8,942
Current	3,574	1,958
Non-current	9,631	6,983
Balance as of 31.12.	13,205	8,942

Maturity analysis for lease liabilities (undiscounted cash flows)

	2023	2024	2025	2026	>2026	TOTAL
Lease liabilities	3,662	3,619	3,605	3,187	262	14,335

(Amounts in NOK thousands)

	2022	2021
Balance as of 01.01.	8,942	786
Cash flows principal amount	-2,861	-2,231
Cash flows interests	-557	-352
Non-cash changes:		
Additions and remeasurements	7,124	10,386
Accretion of interest expense	557	352
Balance as of 31.12.	13,205	8,942

Note 16 Financial risk and derivatives

Financial risks in Nel and the use of derivative instruments are described in note 6.2 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 2022 and 2021, Nel is committed to the following outstanding forward foreign exchange contracts with subsidiaries:

	2022	2021
Forward foreign exchange contracts (Nel Group internal), notional amount:		
Current assets	438	8,176
Non-current assets	189	1,877
Current liabilities	-7,740	-4,127
Non-current liabilities	-2,182	-163
Total	-9,296	5,762

The contracts represent the subsidiaries exposure in US dollars, Euro, Swedish Krone and British pounds. The contracts mature no later than 2024.

Note 17 Financial instruments

Financial instruments and fair values

2022

	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	626			626		626		626
Financial asset - equity instruments		14 461		14 461	14 461			14 461
SUM	626	14 461		15 087	14 461	626	0	15 087
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts	-9 922			-9 922		-9 922		-9 922
SUM	-9 922			-9 922		-9 922		-9 922

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	0	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

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 16.1 (1.6) million as of 31. December 2022. 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

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.

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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Medlemmer av Den norske Revisorforening

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 statement of financial position as at 31 December 2022 and 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. The consolidated financial statements of the Group comprise statement of financial position as at 31 December 2022, 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 2022 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 2022 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 for 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 2022. 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 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 products 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
The Group performed impairment tests to determine the recoverable amounts and recorded an impairment loss of NOK 296 million related to the goodwill in Fueling. At 31 December 2022, the carrying amount of goodwill was NOK 366 million, approx. 5 % of total assets. Estimating the recoverable amount of the goodwill requires management judgment including estimates of future sales, gross margins, operating expenses, 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.

- 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 the audit of the financial statements of Nel ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name NELASA-2022-12-31-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 pursuant to 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 the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's responsibilities

Our responsibility, based on audit evidence obtained, 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. We conduct our work 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 about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include 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, 1 March 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Petter Frode Larsen
State Authorised Public Accountant (Norway)

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Petter Frode Larsen
Statsautorisert revisor
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