Nel ASA

Q2 and half-year 2023 report

Contents

Highlights

- Nel ASA (Nel) reported revenue and income in the second quarter 2023 of NOK 475 million, up 159% from the second quarter 2022 (Q2 2022: 183). All segments, Fueling, PEM electrolysers and alkaline electrolysers experienced strong growth compared to the same quarter last year.
- Order intake in the quarter amounted to NOK 428 million (54% from electrolyser), up 81% from the same quarter last year (Q2 2022: 236).
- At quarter end, Nel had an order backlog of NOK 2 964 million (83% related to electrolyser), up 106% from the second quarter of 2022, and in line with the previous quarter.
- EBITDA of NOK -138 million (Q2 2022: -197) driven by high losses in Fueling, low margins on electrolyser projects signed in 2020/2021 and increased personnel expenses to prepare for large-scale project execution.
- Net loss of NOK -342 million (Q2 2022: -275), mainly related to loss from operations and a net negative unrealised fair value adjustment from shareholdings of NOK -198 million. The same quarter last year had a net negative unrealised fair value adjustment from shareholdings of NOK -97 million.
- Cash balance of NOK 4 122 million (Q2 2022: 3 646).
- Subsequent to the quarter,
    - Received purchase order from Bondalti with a value of approximately EUR 11 million.
    - Received purchase order from Hyd'Occ with a value of approximately EUR 9 million.
    - Granted USD 5.6 million in funding from the U.S. Department of Defense.

Key figures

(Amounts in NOK million)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
Revenue and income	475	183	834	396	994
Operating expenses [2]	669	424	1 202	824	2 272
EBITDA	-138	-197	-258	-350	-780
Operating loss[2]	-194	-241	-368	-428	-1 279
Pre-tax income (loss) [1][2]	-345	-277	-539	-195	-1 187
Net income (loss) [1][2]	-342	-275	-535	-191	-1 171
Net cash flow from operating activities	-306	-220	-334	-378	-691
Cash balance end of period	4 122	3 646	4 122	3 646	3 139
Order intake	428	236	1 007	519	2 275
Order backlog	2 965	1 439	2 965	1 439	2 613

1) Pre-tax income (loss) and Net income (loss) include fair value adjustments of shareholdings in Everfuel A/S, Hydrogen Energy Network (HyNet) and Hyon AS. Refer to note 7 for detailed information.
2) Operating expenses includes NOK 327 million impairment in Fueling in year 2022.

Key press releases during the quarter and subsequent events

Nel Hydrogen Electrolyser

- Received purchase order for 40 MW of alkaline electrolyser with a value of approximately EUR 11 million from Bondalti for its first phase of the H2 Enable project in Estarreja, Portugal.
- Received purchase order for 20 MW of alkaline electrolyser with a value of approximately EUR 9 million from Hyd'Occ in France to produce renewable hydrogen to local industry and transportation.
- Granted USD 5.6 million in funding from the U.S. Department of Defense (DoD) for accelerating advanced PEM electrolyser stack development.
- Plans to build a new automated gigawatt electrolyser manufacturing facility in Michigan, US. When fully developed, the facility will have a production capacity of up to 4GW of Alkaline and PEM electrolysers and employ more than 500 people. The facility will be among the largest electrolyser manufacturing plants in the world.

Nel Hydrogen Fueling

- Fueling received purchase orders for 16 hydrogen fueling stations to be deployed in California, US. Value approximately USD 24 million (including the already announced USD 7 million capacity reservation fee).

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

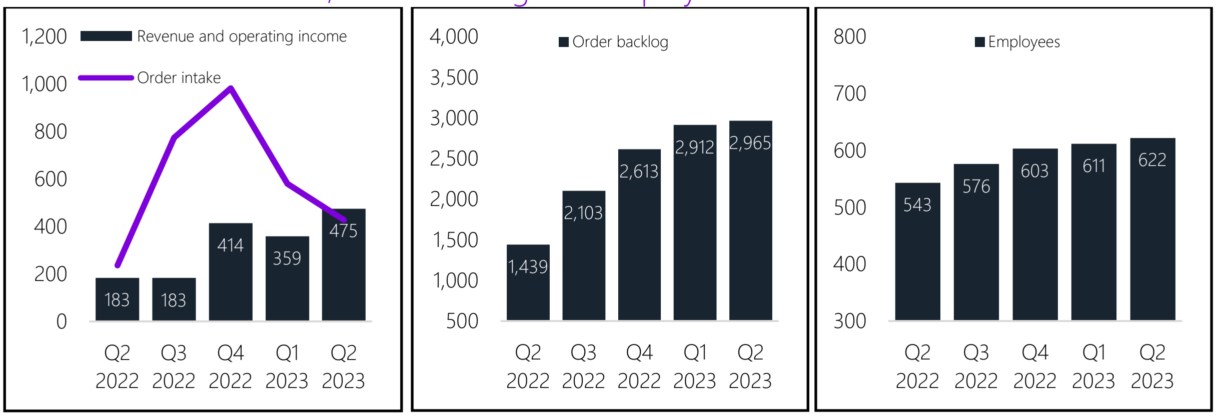
Financial development

Group

Key figures

(Amounts in NOK million)	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	Change	2022
Revenue and income	475	183	159 %	834	396	110 %	994
Operating expenses	669	424	58 %	1 202	824	46 %	2 272
EBITDA	-138	-197		-258	-350		-780
Order intake	428	236	81 %	1 007	519	94 %	2 275
Order backlog	2 965	1 439	106 %				2 613
Employees	622	543	15 %				603
Total assets	8 224	7 498	10 %				6 951

Revenue & Order intake, order backlog and employees



Nel reported 159% increase in revenue compared to the same quarter last year. Electrolyser increased 202% and Fueling increased 56%. Electrolyser is the largest segment in Nel and constitutes 82% (Q2 2022: 71%) of total revenue this quarter.

Nel is committed to building the organizational and production capacity to meet expected market growth, while simultaneously delivering on increasingly larger and more complex projects. This continues to negatively impact the company's profitability. Nel is still in the early stages of establishing robust project execution protocols, partnership frameworks, and other systems that are important to Nel's operational efficiency. 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 face the execution challenges of this next stage in the company's industrialization.

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 is partnering with world-class EPC companies. Similarly, Nel's Fueling division has narrowed its technology development focus and will increasingly work with partners on the core development necessary for high capacity fueling.

First half

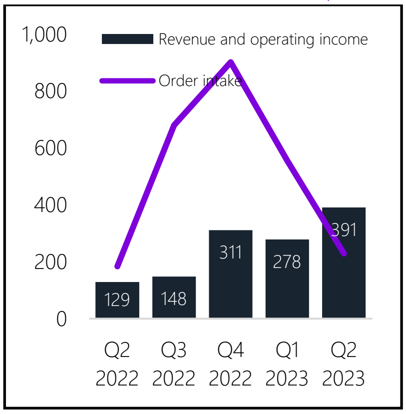
Nel's first half revenues were NOK 451 million higher than a year earlier, while the EBITDA was NOK 91 million higher. The order intake was 94% higher than a year earlier. In the first half, negative EBITDA of NOK -258 million reflect the ramp-up of the organisation and research and development expenses.

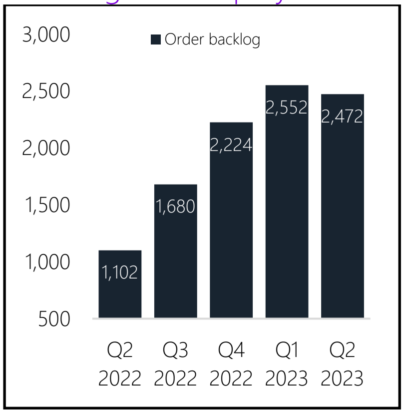
Nel Hydrogen Electrolyser

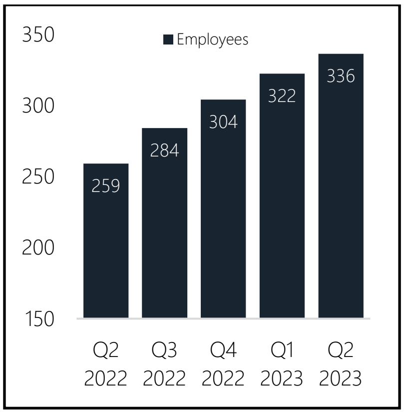
Key figures

(Amounts in NOK million)	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	Change	2022
Revenue and income	391	129	202 %	669	289	132 %	748
Operating expenses	518	244	113 %	869	484	80 %	1 168
EBITDA	-47	-83		-81	-143		-304
Order intake	229	184	25 %	784	397	98 %	1 978
Order backlog	2 472	1 102	124 %				2 224
Employees	336	259	30 %				304
Total assets	3 028	2 111	43 %				2 427

Revenue & Order intake, order backlog and employees







Nel Hydrogen Electrolyser reported a 202% increase in revenue and income compared to the same quarter last year. Growth in alkaline electrolysers was strong as Nel continued the deliveries of electrolyser equipment from the manufacturing facility at Herøya in Norway according to plan. The same quarter last year was one of the first quarters of deliveries from Herøya, and volumes have increased significantly since then. Revenues from sales of alkaline electrolysers increased 383% compared to the same quarter last year, and quarterly sales of PEM electrolysers increased 78% from Q2 2022.

The electrolyser segment reports an order backlog of NOK 2 472 million, a decline of NOK 80 million compared to the previous quarter. The decline is a result of lower order intake for Electrolyser in this quarter. Electrolyser projects are large and reported order intake will therefore vary significantly between quarters depending on the date of contract signing of such larger contracts. Overall demand is increasing, projects are getting larger, and customers are increasingly looking towards suppliers with available capacity and a track record for delivering equipment.

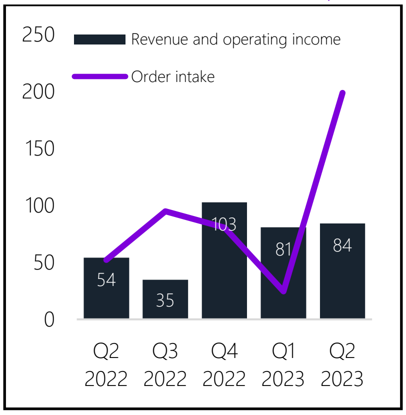
EBITDA continues to be negative for electrolyser as establishing project execution protocols, partnerships and systems is at an early stage at Nel. Nel is preparing for delivery of large-scale projects in the coming years. While significant improvements have been made in our ability and effectiveness 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 is very challenging. Nel is focused on increasing its efficiency and margins in project execution over time, but recognize that significant investments in people and systems will continue to be required.

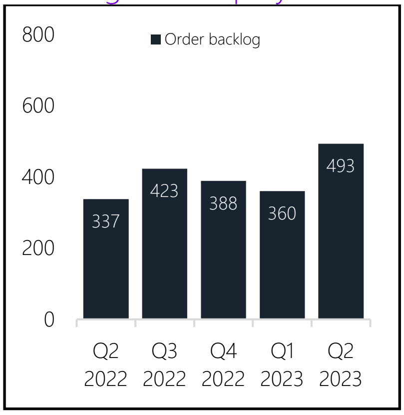
Nel Hydrogen Fueling

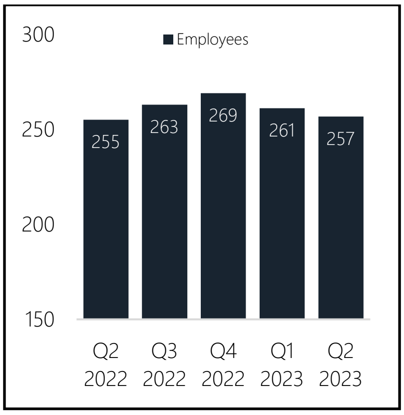
Key figures

(Amounts in NOK million)	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	Change	2022
Revenue and income	84	54	56 %	165	108	53 %	245
Operating expenses	165	147	13 %	317	273	16 %	972
EBITDA	-68	-82		-126	-142		-352
Order intake	199	52	281 %	223	122	83 %	297
Order backlog	493	337	46 %				388
Employees	257	255	1 %				269
Total assets	836	1 022	-18 %				1 005

Revenue & Order intake, order backlog and employees







Revenue in Fueling continues to be low as the low order intake in past quarters has limited the revenue recognised and growth this quarter. The increased order intake and order backlog is mainly driven by the purchase order for 16 hydrogen fueling stations to be deployed in California, US. The value of the contract is approximately USD 24 million (USD 7 million of which was added to the backlog as a capacity reservation agreement in Q4 2022) which is a record-size contract for Nel Hydrogen Fueling.

EBITDA in Fueling continues to be negative. There has been a large increase in the utilisation of many of Nel's installed stations, enabling accelerated learnings and improvements in both 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.

Finance

(Amounts in NOK million)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
Finance income					
Interest income	44	13	76	21	72
Change in fair value financial instruments	0	2	1	217	20
Other	1	0	1	0	6
Interest income and other finance income	45	15	78	238	98
Finance costs					
Interest expense	-4	-3	-9	-6	-11
Net foreign exchange gain (loss)	9	52	38	45	56
Change in fair value financial instruments	-198	-99	-275	-44	-50
Other	0	-1	0	-1	-1
Interest expense and other finance costs	-193	-50	-245	-5	-6
Net finance income (cost)	-148	-35	-168	233	92

Nel reported finance income of NOK 45 million (Q2 2022: 15) in the quarter, comprising interest income of NOK 44 million (Q2 2022: 13) from cash and cash equivalents. Increase in interest income is caused by increased NOK interest rate in particular, and increased cash balance.

Finance costs in the quarter were NOK -193 million compared to NOK -50 million in the same quarter last year. The net change in fair value of shareholdings had a negative effect of NOK -198 million this quarter (Q2 2022: -99), mainly due to change in fair value of Nel's shareholding in Everfuel of NOK -167 million in addition to a NOK -31 million decline in value of shares in the Korean entity Hydrogen Energy Network (HyNet). The book value of shares in HyNet is NOK 10 million as of Q2 2023. Second quarter 2023 includes NOK 14 million (Q2 2022: 52) in currency exchange gain resulting from revaluing internal loans, caused by a weaker NOK against USD and EUR.

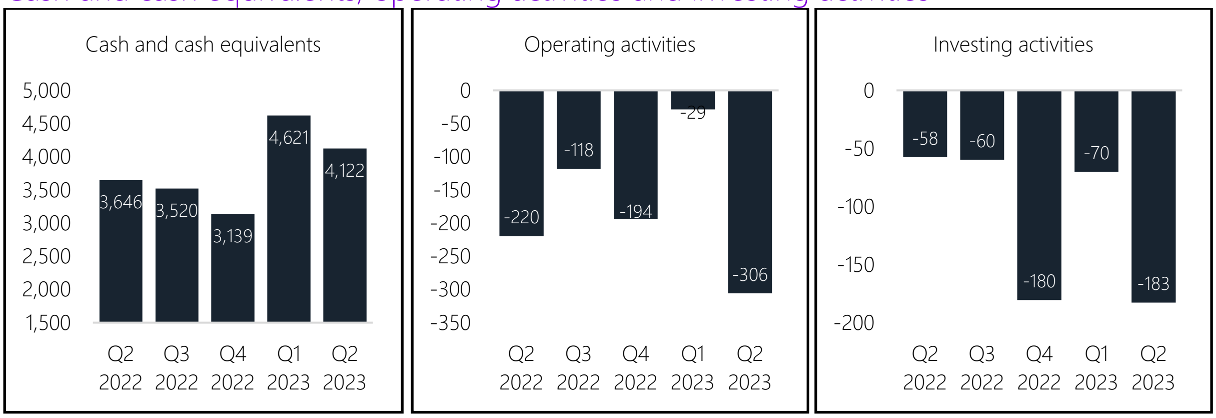
First half

Nel reported net finance cost in the first half of 2023 of NOK -168 million (1H 2022: 233 million). The variance from net finance income in the previous year is mainly explained by the unrealised fair value adjustment of the shareholdings in Everfuel, Nikola Corporation, Hyon and HyNet. First half 2023 included net fair value adjustment of these shareholdings of NOK -167 million (1H 2022: 169). Nel has divested all shares in Nikola during Q3 2022 and Hyon during Q1 2023. In the first half 2023, Nel has also recognised an unrealised currency loss on the revaluation of internal loans of NOK 48 million (1H 2022: 44), caused by a weakened NOK against USD and EUR.

Cash

(Amounts in NOK million)	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	Change	2022
Net cash flow from operating activities	-306	-220		-334	-378		-691
Net cash flow from investing activities	-183	-58		-253	-163		-403
Net cash flow from financing activities	-11	-18		1 564	1 464		1 495
Foreign currency effects on cash	1	1		7	1		14
Net change in cash	-499	-294		984	924		416
Cash and cash equivalents OB	4 621	3 940	17 %	3 139	2 723	15 %	2 723
Cash and cash equivalents	4 122	3 646	13 %	4 122	3 646	13 %	3 139

Cash and cash equivalents, operating activities and investing activities



Cash flow from operating activities was negative as Nel continues to pursue its growth strategy, investing in an expanded organization to address the volume and complexity of global project tenders and execution activity. Changes in net working capital decreased cash by NOK -238 million (Q2 2022: -44) in the quarter. Since Nel has a limited set of large-scale projects, temporary mismatches between cash inflows and outflows on individual projects has a significant effect on working capital.

The investing activities in the second quarter 2023 included net NOK -11 million (Q2 2022: 21) in changes to restricted bank deposits and collateral for bank guarantees with a maturity longer than three months at the date of purchase. The purchase of property, plant and equipment totalled NOK 143 million (Q2 2022: 12) in the quarter. Other investment activities in the quarter included capitalised internal development of next generation fueling stations and electrolysers for a total of NOK 28 million (Q2 2022: 24).

Finance activities were positively impacted the first half of 2023 by a successful private placement on March 6, 2023, raising NOK 1 609 million in gross proceeds. Same period last year included capital raise of NOK 1 500 in gross proceeds.

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

Risks and uncertainty

Nel is exposed to significant risk and uncertainty factors, which may affect some or all of the group's activities. Nel is exposed to operational, financial, market and climate-related risk. These risks could occur individually or simultaneously. There are no significant changes in the risks and uncertainty factors described in our Annual Report 2022.

Outlook

External and internal analyses support a market view that multiple gigawatts of electrolyser projects will reach final investment decision before 2025. Industrial applications represent the most promising near-term opportunities. Projects are expected to commence 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, market dynamics have improved for Nel. 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 leading position 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 better scoping and improved pricing of individual contracts in combination with more efficient execution are expected to yield greater profitability in Electrolyser in the years to come, as revenue from projects is recognized over time from execution to completion. This positive market outlook drives Nel's continued investments in engineering, project management, project execution, and related personnel, which continues to negatively affect current results. Larger projects are more complex and requires more work in all phases from planning through execution. Despite the positive market momentum, order intake is therefore likely to vary significantly from quarter to quarter. The order backlog is subject to risks, including delays and cancellations.

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 believe 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 implementing operational and strategic actions to improve performance and profitability.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of interim consolidated financial statements for the first half of 2023, which have been prepared in accordance with IAS 34 Interim Reporting, give a true and fair view of the company's assets, liabilities, financial position and results of operation, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph of the Norwegian Securities Trading Act.

Oslo, 18 July 2023

The Board of Directors

Ole Enger Chair (Electronically signed)	Beatriz Malo de Molina Board member (Electronically signed)	Charlotta Falvin Board member (Electronically signed)
Arvid Moss Board member (Electronically signed)	Hanne Blume Board member (Electronically signed)	Tom Røtjer Board member (Electronically signed)
Jens Bjørn Staff Board member (Electronically signed)	Håkon Volldal CEO (Electronically signed)	

Condensed interim financial statements

Consolidated statement of comprehensive income (unaudited)

(Amounts in NOK thousands)	Note	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
Revenue and income						
Revenue from contracts with customers		466 584	173 144	821 533	370 441	914 853
Other income		8 493	10 077	12 436	25 918	78 728
Total revenue and income	3	475 077	183 221	833 969	396 359	993 581
Operating expenses						
Raw materials		250 873	134 537	418 971	279 154	584 815
Personnel expenses		198 834	157 230	385 877	308 202	664 815
Depreciation, amortisation and impairment	4, 5	55 767	43 854	109 933	78 041	498 781
Other operating expenses		163 141	88 616	287 537	158 587	523 824
Total operating expenses		668 615	424 237	1 202 318	823 984	2 272 235
Operating loss		-193 538	-241 016	-368 349	-427 625	-1 278 654
Finance income	7	44 705	14 635	77 669	238 301	97 629
Finance cost	7	-192 940	-50 127	-245 435	-5 333	-5 972
Share of loss from associates and joint ventures		-2 786	0	-2 786	0	0
Net financial items		-151 021	-35 492	-170 552	232 968	91 657
Pre-tax income (loss)		-344 559	-276 508	-538 901	-194 657	-1 186 997
Tax expense (income)		-2 233	-1 991	-4 379	-3 883	-15 828
Net income (loss)		-342 326	-274 517	-534 522	-190 774	-1 171 169
Items that are or may subsequently be reclassified to income statement:						
Currency translation differences		5 976	87 680	57 382	72 219	65 035
Cash flow hedges, effective portion of changes in fair value		-22 115	-6 290	-66 918	-2 496	-6 900
Cash flow hedges, reclassified		23 014	464	38 566	-2 480	-6 848
Other comprehensive income		6 875	81 854	29 030	67 243	51 287
Total comprehensive income		-335 451	-192 663	-505 492	-123 531	-1 119 882
Basic EPS (figures in NOK) [1)]		-0.20	-0.18	-0.33	-0.13	-0.76
Diluted EPS (figures in NOK) [1)]		-0.20	-0.18	-0.33	-0.13	-0.76
Weighted average number of outstanding shares (million)		1 671	1 559	1 632	1 514	1 538

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

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

Consolidated statement of financial position (unaudited)

(Amounts in NOK thousands)	Note	30.06.2023	31.12.2022
ASSETS			
Intangible assets	4	992 598	934 456
Property, plant and equipment	5	988 855	785 488
Other non-current assets		251 516	252 958
Total non-current assets		2 232 969	1 972 902
Inventories		620 074	504 595
Trade receivables	6	656 672	460 735
Contract assets		86 017	96 322
Other current assets	7	505 723	777 408
Cash and cash equivalents		4 122 293	3 138 550
Total current assets		5 990 779	4 977 610
TOTAL ASSETS		8 223 748	6 950 512
EQUITY AND LIABILITIES			
Shareholders' equity		6 531 076	5 449 608
Total equity		6 531 076	5 449 608
Deferred tax liability		43 894	45 529
Long-term debt		24 173	22 431
Lease liabilities		176 801	170 177
Other non-current liabilities		97 418	71 151
Total non-current liabilities		342 286	309 288
Trade payables		200 338	201 744
Lease liabilities		47 020	30 438
Contract liabilities		759 254	672 291
Other current liabilities		343 774	287 144
Total current liabilities		1 350 386	1 191 617
Total liabilities		1 692 672	1 500 905
TOTAL EQUITY AND LIABILITIES		8 223 748	6 950 512

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

Consolidated statement of cash flows (unaudited)

(Amounts in NOK thousands)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
Cash flow from operating activities					
Pre-tax income (loss) [1]	-344 559	-276 508	-538 901	-194 657	-1 186 998
Depreciation, amortisation and impairment	55 767	43 854	109 933	78 041	498 782
Change in net working capital [2]	-237 990	-44 310	-215 554	-36 229	37 242
Other adjustments [3]	220 824	57 315	310 042	-225 583	-39 606
Net cash flow from operating activities	-305 958	-219 649	-334 480	-378 428	-690 580
Cash flow from investment activities					
Purchases of property, plant and equipment	-143 010	-12 479	-219 887	-34 932	-160 486
Payments for capitalised technology	-27 617	-24 470	-60 208	-53 613	-118 251
Purchases of other investments [4]	-38 889	-21 619	-68 537	-75 506	-206 450
Investments in other financial assets	0	0	0	0	-5 296
Investments in associates and joint ventures	-973	0	-973	0	-1 160
Proceeds from sales of other investments [4]	27 802	1 016	96 811	1 016	88 555
Net cash flow from investing activities	-182 687	-57 552	-252 794	-163 035	-403 088
Cash flow from financing activities					
Interest paid [5]	-3 652	-2 572	-7 387	-5 188	-11 166
Gross cash flow from share issues	0	0	1 609 200	1 500 000	1 545 866
Transaction costs connected to share issues	-1 117	-11 632	-24 696	-23 295	-23 426
Payment of lease liabilities	-6 183	-3 542	-12 101	-6 752	-14 400
Payment of non-current liabilities	-15	0	-526	-745	-1 889
Net cash flow from financing activities	-10 967	-17 746	1 564 490	1 464 020	1 494 985
Foreign currency effects on cash	692	1 305	6 527	1 068	14 464
Net change in cash and cash equivalents	-498 920	-293 642	983 743	923 625	415 781
Cash and cash equivalents beginning of period	4 621 213	3 940 036	3 138 550	2 722 769	2 722 769
Cash and cash equivalents	4 122 293	3 646 394	4 122 293	3 646 394	3 138 550

1) The second quarter 2023 includes interest received of NOK 44 million (13).
2) Change in net working capital comprises changes in inventories, trade receivables, contract assets, contract liabilities and trade payables.
3) The second quarter 2023 includes a fair value adjustment of financial instruments of NOK -198 million. The fair value adjustment was NOK -97 million in the second quarter 2022.
4) Other investments comprise short-term shares and restricted bank deposits and collateral for bank guarantees with a maturity longer than three months at the date of purchase.
5) Interest paid includes interest expense on lease liabilities.

Consolidated statement of changes in equity (unaudited)

(Amounts in NOK thousands)	Share capital	Share premium	Treasury shares	Other component of equity	Retained earnings	Total equity
Equity as of 31.12.2021	292 160	5 596 248	-81	68 591	-918 214	5 038 704
Net loss					-1 171 169	-1 171 169
Currency translation differences				65 035		65 035
Hedging reserve				-13 748		-13 748
Capital increase	20 505	1 501 935				1 522 440
Options and share program		3	-3		8 346	8 346
Equity as of 31.12.2022	312 665	7 098 186	-84	119 878	-2 081 037	5 449 608
Net loss					-534 522	-534 522
Currency translation differences				57 382		57 382
Hedging reserve				-28 352		-28 352
Capital increase	21 600	1 562 904				1 584 504
Options and share program					2 456	2 456
Equity as of 30.06.2023	334 265	8 661 090	-84	148 908	-2 613 103	6 531 076

Notes to the interim financial statements

Note 1 Organisation and basis for preparation

Corporate information

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

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

Basis for preparation

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). This financial information should be read together with the annual report for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those used in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2022.

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

Note 2 Significant estimates, judgements and assumptions

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

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to the annual report of 2022 for more details related to key judgements and estimation.

Note 3 Segments

Nel identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Nel to identify its segments according to the organisation and reporting structure used by management. See Nel's Annual Report 2022 note 2.3 Segment information for a description of Nel's management model and segments, including a description of Nel's segment measures and accounting principles used for segment reporting.

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

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

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

(Amounts in NOK thousands)	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	Change
Revenue and income						
Nel Hydrogen Electrolyser	390 891	129 278	202 %	669 022	288 514	132 %
Nel Hydrogen Fueling	84 186	53 943	56 %	164 947	107 845	53 %
Total	475 077	183 221	159 %	833 969	396 359	110 %
EBITDA						
Nel Hydrogen Electrolyser	-46 834	-83 489		-81 103	-143 415	
Nel Hydrogen Fueling	-68 362	-81 988		-125 853	-142 358	
Corporate 1)	-22 575	-31 685		-51 460	-63 811	
Total	-137 771	-197 162		-258 416	-349 584	
Investments 2)						
Nel Hydrogen Electrolyser	160 966	21 359	654 %	260 848	63 703	309 %
Nel Hydrogen Fueling	9 660	15 590	-38 %	19 246	24 842	-23 %
Total	170 626	36 949	362 %	280 094	88 545	216 %
Total assets 3)						
Nel Hydrogen Electrolyser	3 027 605	2 110 888	43 %			
Nel Hydrogen Fueling	835 722	1 022 219	-18 %			
Corporate	4 360 421	4 364 643	0 %			
Total	8 223 748	7 497 750	10 %			

1) Corporate comprises parent company and other holding companies.
2) Investments comprise intangible assets, property, plant and equipment, associates and joint ventures and equity instruments.
3) Total assets per segment includes excess values on intangible assets derived from the consolidation of the financial statements.

Property, plant and equipment by geographical area

(Amounts in NOK thousands)	30.06.2023	30.06.2022	Change	31.12.2022	Change
Norway	743 596	468 531	59 %	562 761	32 %
Denmark	118 300	113 044	5 %	111 225	6 %
USA	123 973	52 224	137 %	107 959	15 %
South Korea	2 986	5 315	-44 %	3 543	-16 %
Total	988 855	639 114	55 %	785 488	26 %

Note 4 Intangible assets

(Amounts in NOK thousands)	Goodwill	Technology	Customer relationship	Total
Carrying value of 01.01.2023	365 580	547 387	21 489	934 456
Additions	0	60 208	0	60 208
Amortisation	0	-31 437	-2 577	-34 014
Currency translation differences	19 132	16 404	-3 588	31 948
Carrying value as of 30.06.2023	384 712	592 562	15 324	992 598

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

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

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

Note 5 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets

(Amounts in NOK thousands)	Land, buildings and equipment	Right-of-use assets	Total
Carrying value of 01.01.2023	614 556	170 932	785 488
Additions	219 887	8 988	228 875
Remeasurements	0	7 488	7 488
Depreciation	-60 819	-15 100	-75 919
Currency translation differences	37 696	5 227	42 923
Carrying value as of 30.06.2023	811 320	177 535	988 855

Note 6 Trade receivables

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables from individual customers at the end of this quarter.

(Book value in NOK thousands)	Weighted-average loss rate[1)]	Gross carrying amount	Loss allowance
Current (not past due)	0.1%	201 834	234
1-30 days past due	0.2%	91 473	201
31-60 days past due	0.6%	105 413	685
61-90 days past due	2.0%	6 766	135
91 days to one year past due	5.0%	265 729	13 286
More than one year past due	10.0%	-	-
Carrying value as of 30.06.2023	2.2 %	671 214	14 542

1) 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.

2) In this quarter and the first half of 2023, revenue from a single customer was about 37% and 30%, respectively. As of 30 June 2023, about 42% of the trade receivables due are related to this customer.

Note 7 Listed equity instruments

Everfuel

(Book value in NOK thousands)	Shareholding[1]	Acquisition cost NOK/per share	Fair value NOK/per share	Book value[2]
Carrying value as of 01.01.2022	12 359 109	1.12	38.18	471 871
Sale of shares 2022	-218 854			-9 820
Fair value adjustment 2022			-2.28	-26 215
Carrying value as of 31.12.2022	12 140 255	1.12	35.90	435 835
Sale of shares Q1 2023	-422 671			-15 731
Fair value adjustment Q1 2023			-5.95	-69 163
Sale of shares Q2 2023	-18 666	30.15		-563
Fair value adjustment Q2 2023			-14.25	-166 706
Carrying value as of 30.06.2023	11 698 918	36.92	15.70	183 673

1) On October 21, 2020, Everfuel A/S listed on Euronext Growth Oslo. Nel's shareholding before the initial public offering was 11 940 000.
2) A NOK 10 increase/reduction in share price of Everfuel A/S will lead to gains/losses of about NOK 120 million.

Hyon

(Book value in NOK thousands)	Shareholding[1]	Acquisition cost NOK/per share	Fair value NOK/per share	Book value
Carrying value of 01.01.2022	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
Fair value adjustment Q1 2023			-0.75	-7 387
Sale of shares Q1 2023	-9 804 000		0.72	-7 074
Carrying value as of 30.06.2023	0	0	0	0

1) On February 14, 2022, Hyon AS listed on Euronext Growth Oslo. Nel's shareholding before the initial public offering was 9 804 000. The Hyon shares were subject to a lock-up which expired on January 20, 2023.

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

Alternative Performance Measures

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

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

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

Nel's financial APMs

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

EBITDA margin: is defined as EBITDA divided by revenue.

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 order intake where revenue is yet to be recognised.

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