number one by nature

2023
Annual report

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Annual report 2023

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info@nelhydrogen.com
+47 23 24 89 50

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

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nelhydrogen.com

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Annual report 2023

1 Letter from the CEO

A mixed year

Nel is on a journey towards a decarbonized society where renewable hydrogen plays a critical role. Over the past couple of years, Nel and the hydrogen industry have made enormous progress toward this vision. With unprecedented speed, we have transitioned from building small hydrogen plants to planning and installing large-scale plants with hundreds of megawatts of electrolyser capacity. Since 2019, Nel's revenues have tripled.

In the first half of 2023, Nel received large electrolyser purchase orders from HH2E in Germany, Bondalti in Portugal, and Hyd'Occ in France. Furthermore, a record-size contract for 16 fueling stations in California was signed. These are all excellent contracts with Nel's preferred scope of supply and favorable terms and conditions. Still, our expectations were higher. We had hoped to sign more large-scale orders and end the year with a higher backlog.

Unfortunately, the whole hydrogen industry faced headwinds in the second half of 2023. Market momentum slowed down due to higher interest rates, tighter capital markets, and cost escalations. Projects became more challenging to qualify and took longer to mature. However, I assure you we did not sit on our hands waiting for orders to arrive. In 2023, we built a more robust Nel, uniquely positioned when market demand picks up again.

A more robust company

Even if 2023 was a challenging year, we had a very clear direction. We implemented our "Bigger Better Focused" strategy and are taking the fastest route toward hydrogen technology leadership by growing our production capacity, improving our technology, and focusing on a smaller scope of supply.

- **Bigger:** We increased actual output from Line 1 at Herøya by a factor of 2.5 versus 2022 and started to build Line 2. When this line is put into commercial operation in Q2 2024, Nel will have 1 GW of fully automated annual alkaline electrolyser production capacity. Similarly, we are ramping up the production capacity for PEM electrolysers in Wallingford by a factor of 10. Further capacity expansion is possible in current locations, yet Nel has secured financial support from the state of Michigan for a future gigafactory in Plymouth. In the Fueling division, we progressed our high-capacity station concept targeting heavy-duty vehicles.

- **Better:** In a year troubled by inflation and cost increases, Nel managed to reduce the cost of its electrolysers and further enhance their energy efficiency. Equally important, significant progress was made on the next-generation PEM technology developed in partnership with General Motors. We also took significant steps in developing Nel's pressurized alkaline system. Another key objective met in 2023 was the massive reduction in the warranty cost of installed fueling stations, which was made possible by targeted hardware and software upgrades. These improvements have also had a very positive impact on station uptime.

- **Focused:** Europe and North America have remained Nel's target geographies in 2023, ensuring efficient use of resources. In the Electrolyser division, Nel has implemented its preferred scope of supply, which is stack and balance of stack (including control system) on all major contracts. We even changed the old contracts, which initially had a larger scope for Nel. This reduces Nel's execution risk, improves margins, and enables the company to run more projects in parallel. On the Fueling side, Nel discontinued old product models and signed development contracts with third-party companies for modules outside Nel's core scope.

Strategic adjustments are already starting to pay off financially: Nel generated close to 1.8 billion NOK in revenues in 2023, up almost 80 percent from 2022, and profitability improved by more than NOK 300 million. Although I am pleased with this development, the real significance of the 2023 financial figures is that Nel's business model scales well. We know that if we continue to grow revenues, we will be able to deliver positive earnings.

In March, we raised NOK 1.6 billion, which contributed to Nel ending the year with a solid cash balance of close to NOK 3.4 billion. Nel is now one of the world's best-capitalized and well-funded electrolyser OEMs. Although we will be prudent and spend our money wisely, we have enough money to continue to invest in technology development and further capacity increases if needed.

Fundamental market drivers remain unchanged

Roy Amara was an American scientist and futurist, probably best known for coining Amara's law on the effect of technology. "We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run," he said. This is a fitting description of how the interest in renewable hydrogen has developed in recent years. If hydrogen was overhyped before, the pendulum has now swung too far in the other direction. Renewable hydrogen plays a pivotal role in the energy transition, and the fundamental market drivers remain unchanged.

Throughout the last few years, it has become clear that energy security and supply must be rethought amid rising geopolitical tensions. Dependence on hydrocarbons produced by autocratic or unstable regimes is a short-sighted energy policy. Hydrogen allows new energy markets to be connected. It will work as a vector from areas where it is cheap and possible to produce renewable energy to areas where energy demand is high and local production is insufficient.

Moreover, burning more hydrocarbons is not the answer to a world increasingly suffocated by carbon dioxide emissions. The world has agreed to cut carbon emissions dramatically, and everyone has realized it is nearly impossible to decarbonize the refinery, steel, and chemical industries without renewable hydrogen. What is currently slowing down the adoption of green hydrogen is the extra cost of switching from fossil fuels. Fossil fuels are cheaper today because the true cost of carbon is ignored: only a fraction of CO2 emissions is taxed, and carbon prices are way too low to reflect the real cost to society. Subsidies for green hydrogen, through, for example, the Inflation Reduction Act (IRA) in the US and the Hydrogen Bank in the EU. Ratified mandatory targets for the use of green hydrogen in industry and transportation and increasing demand for carbon-free or low-carbon products among consumers and businesses despite higher prices will also help.

A bright future

Nel's fundamental business idea is based on the conviction that global society will have to change from a polluting and damaging fossil economy to a greener economy. This transition has started and will accelerate dramatically in the coming years. We know this, and our customers know this. This is why our pipeline of large-scale prospects is growing fast.

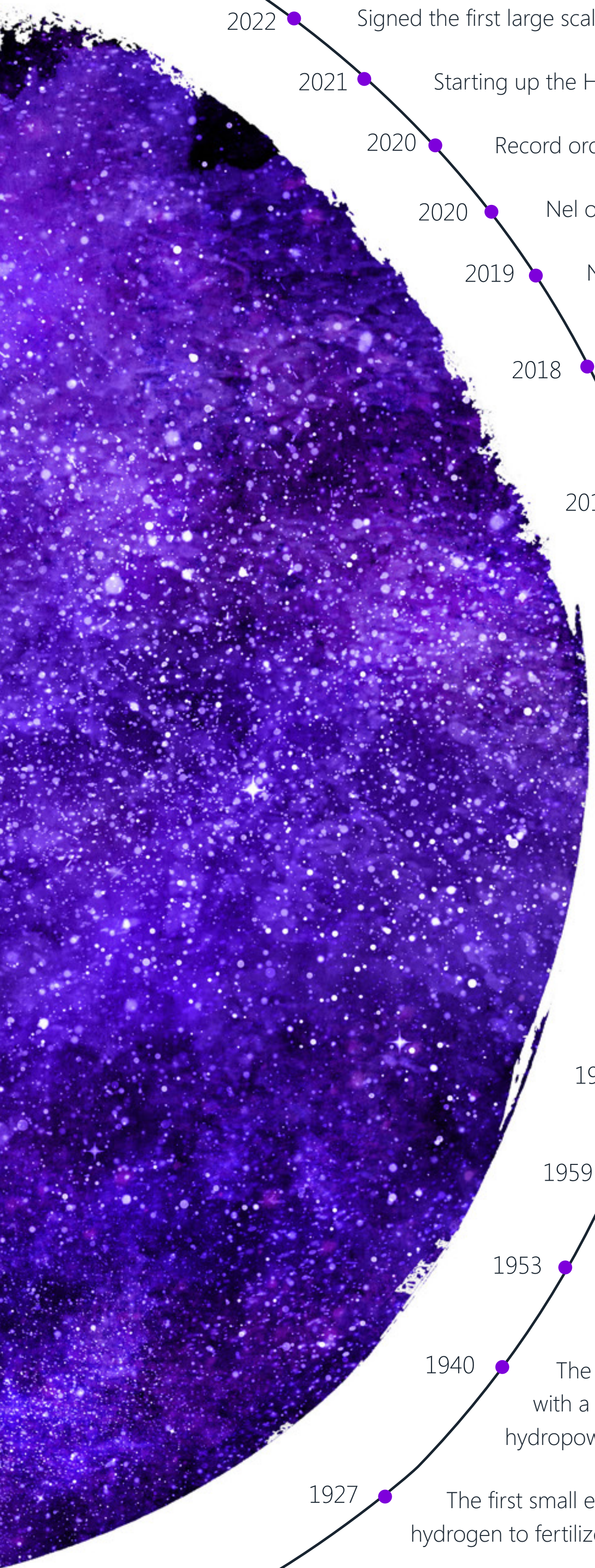
In 2022, our largest delivery project was a 20 MW plant. Today, we are looking at initiatives involving hundreds of megawatts of electrolyser capacity. These large-scale projects will have a real positive impact on global emissions and, not coincidentally, on Nel's financials. When projects increase in size, risk, and complexity, the need for competence and experience rises accordingly. This plays to Nel's advantage, given our unrivaled track record: almost a century of experience in combination with tested and proven technology.

Building on this experience, we are continuously improving efficiency and reducing the cost of our solutions while rapidly progressing with game-changing next-generation technology. Because of our 2.4 billion NOK order backlog and solid cash balance we are better positioned for success than most of our peers, and we have a workforce of close to 700 highly skilled and passionate employees with the deepest hydrogen knowledge in the industry.

So, even though we have been developing hydrogen technology for almost a century, there is no doubt that the most exciting part of the journey is still ahead of us. In 2023 we have taken further steps to ensure that Nel will be ready to succeed on this journey

Best regards,
Håkon Volldal, CEO

PROVEN TECHNOLOGY, TRUSTED PARTNER - PIONEERING RENEWABLE HYDROGEN FOR MORE THAN 90 YEARS



- **2023** Started development of next generation PEM electrolyser platform with General Motors
- **2022** Signed the first large scale 200MW electrolyser contract
- **2021** Starting up the Herøya plant, first line
- **2020** Record order sizes within both Electrolyser and Fueling
- **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
- **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
- **1998** 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 Executive Vice President and CHRO in the DLG Group 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.

ARVID MOSS, BOARD MEMBER

Mr. Moss (born 1958) is an experienced executive who has been a member of Norsk Hydro's corporate management board since 2008. Since July 2021 Mr. Moss also is the Chair of the Board in Norway's Export Council (Norsk Eksportråd). In Norsk Hydro, he has been responsible for strategy and business development in the aluminium area and on the corporate level for several periods. He also led the process that resulted in the oil and gas merger between Norsk Hydro and Statoil in 2006. Mr. Moss also served as State Secretary and Chief of staff in the Norwegian Prime Minister's office (1989-1990). Mr. Moss holds a Master's degree in business economics from the Norwegian School of Economics and Business Administration. He is a Norwegian citizen.

BEATRIZ MALO DE MOLINA, BOARD MEMBER

Ms. Malo De Molina (born 1972) is a Managing Director at Alvarez & Marsal, a global professional services firm, and she is the head of A&M's Oslo office. Beatriz has served as Senior Vice President and Head of M&A at Orkla ASA and has previously 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. Ms. Malo de Molina is a member of the board and chair of the audit and risk committee of EMGS. 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 Senior Vice President, Head of Projects in Norsk Hydro ASA until 2018. He served as Executive Vice President Projects (member of Corporate Management Board) in Norsk Hydro from 2007-2012. He has held previous board positions in Aibel AS, Det norske oljeselskap ASA (Aker BP ASA), Qatalum Ltd., Hæhre & Isachsen Gruppen AS (Akh Gruppen AS) 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, Norway.

JENS BJØRN STAFF, BOARD MEMBER

Mr. Staff (born 1967), is the Group CEO in Skagerak Energi, a Norwegian utility company, since 2020. Mr. Staff has broad executive experience from Orkla where he served as Group CFO for 6 years and Statkraft where he was Group CFO for 3 years. He has also had several executive positions in Statoil over the course of 6 years. He has previously held board positions in Statoil, corporate assembly in Jotun, and currently is a board member in Isola Holding AS. Mr. Staff holds an MBA from the Norwegian School of Economics (2002) and an BA from the Norwegian Business School in addition to an International Directors Program from INSEAD (2022). He is a Norwegian citizen.

3 Management

HÅKON VOLLDAL, CHIEF EXECUTIVE OFFICER

Håkon Volldal (born 1976) joined Nel as CEO on 1 July 2022. Mr. Volldal served as CEO of the traffic technology company Q-Free ASA from 2016 to 2022. Prior to this he held various positions during a 12-year career at TOMRA, including EVP Collection Solutions from 2013 until 2016. Mr. Volldal has also worked as a management consultant for McKinsey & Company and holds an MSc in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU). He is a Norwegian citizen.

KJELL CHRISTIAN BJØRNSEN, CHIEF FINANCIAL OFFICER

Kjell Christian Bjørnsen (born 1976) joined Nel as CFO on 1 March 2020. Prior to this he served as Chief Financial Officer of the Kavli Group from 2014. Mr. Bjørnsen has also 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.

MARIUS LØKEN, CHIEF TECHNOLOGY OFFICER

Marius Løken (born 1977) assumed his role as Chief Technical Officer (CTO) of Nel ASA in June 2023. Prior to this, he honed his leadership at TOMRA Systems ASA, ascending through positions like Head of Europe Asia Pacific, Head of Technology, and Head of Product Management. In total, Marius spent over 23 years at TOMRA, making significant contributions across various technological and commercial facets. His academic foundation is rooted in a Master of Science in Mechanical from the Norwegian University of Science and Technology (NTNU), with the master thesis conducted at Michigan Technological University.

CAROLINE DUYCKAERTS, CHIEF HUMAN RESOURCES 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.

TODD CARTWRIGHT, CHIEF COMMERCIAL OFFICER

Todd Cartwright (born 1966) joined Nel as Chief Commercial Officer, effective January 2nd, 2024. A US citizen with a BS in Mechanical Engineering, he brings over 30 years of energy sector experience. Mr. Cartwright has held key roles at CB&I and Technip Energies, notably as Commercial Vice President at the latter. In this role, he led business development, key account management, and strategic partnerships, and was responsible for commercial leadership of strategic projects across legacy and energy transition markets such as CCUS, Hydrogen, Ammonia, BioFuels, LNG, and Circularity.

ROBERT BORIN, SENIOR VICE PRESIDENT FUELING

Robert 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, SENIOR VICE PRESIDENT LEGAL AND GENERAL COUNSEL

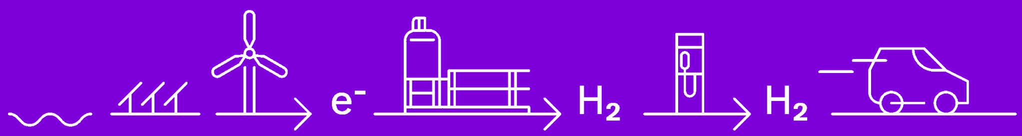
Stein Ove Erdal (born 1979) joined Nel as Vice President Legal and General Counsel in May 2019. Erdal comes from a position as an Associate General Counsel in Nexans Norway AS where he worked for nine years with complex offshore EPCI and EPC projects. He also has experience from working as a lawyer in 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 OPERATING 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 income increased by 78% from 2022 to 2023.
- Year-end cash balance of NOK 3 363 million (2022: 3 139). Nel raised NOK 1 609 million in gross proceeds in a private placement on 6 March 2023.
- Order intake in 2023 was NOK 1 430 million (2022: NOK 2 275 million) which resulted in an order backlog at end of 2023 of NOK 2 458 million, down 6% from 2022.
  - Received purchase order for 120 MW alkaline electrolyser from HH2E. The contract value is approximately EUR 34 million.
  - Selected Plymouth in Michigan for its next gigafactory with an annual capacity of 4GW when fully developed.
  - Received purchase order for 16 hydrogen fueling stations in California from an undisclosed US energy company.

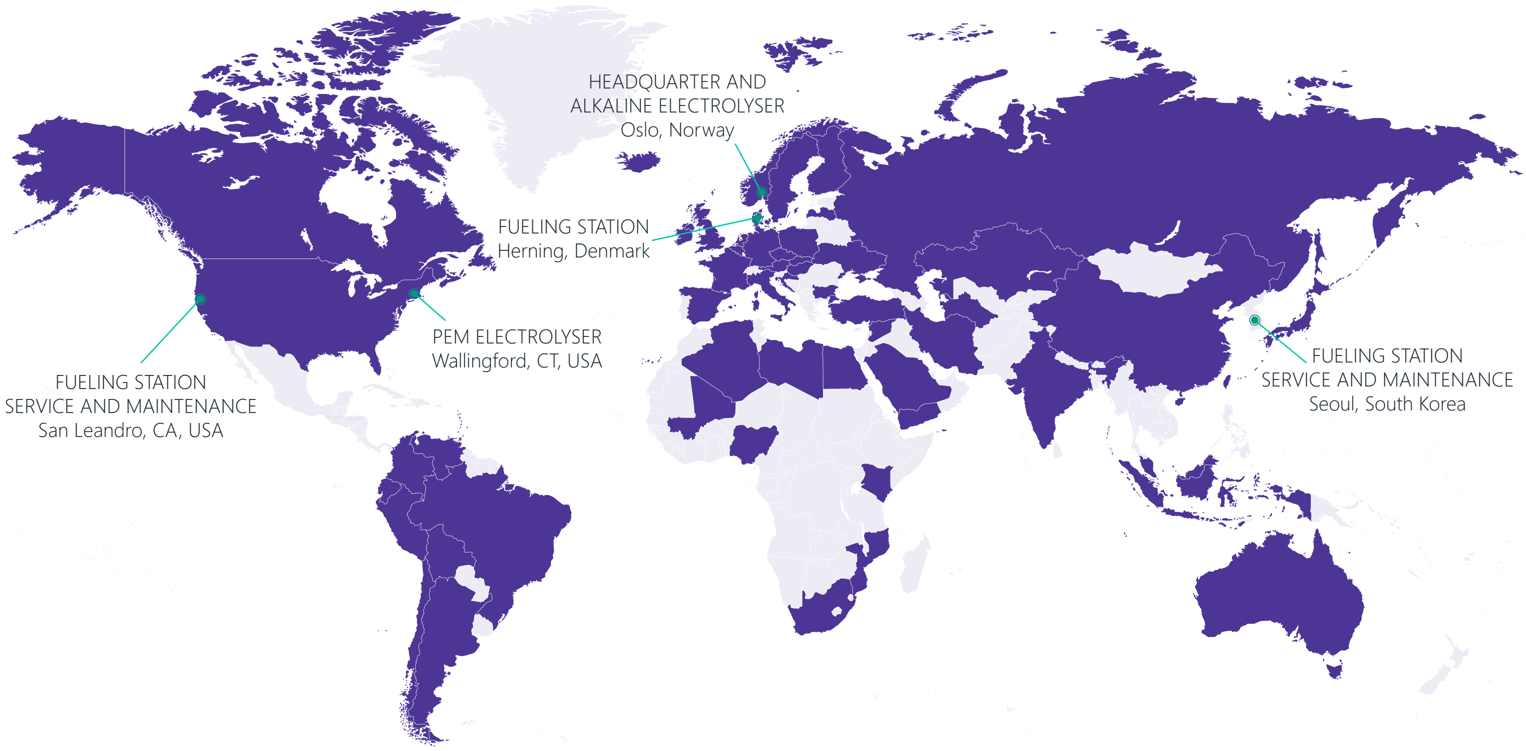
KEY FIGURES

PERFORMANCE MEASURES	2023	2022	2021
Revenue and income	1 773	994	798
Operating expenses	2 473	2 272	1 381
EBITDA	-474	-780	-475
Operating loss	-700	-1 279	-583
Pre-tax income (loss)	-873	-1 187	-1 684
Net income (loss)	-855	-1 171	-1 667
Net cash flow from operating activities	-670	-691	-449
Cash balance end of period	3 363	3 139	2 723
Order intake	1 430	2 275	967
Order backlog	2 458	2 613	1 230
TRIF[1]	19.6	11.5	4.9
Number of fatal accidents	0	0	0
Number of employees	673	603	507
Women in executive management	11.1%	11.1%	10.0%
GHG intensity (excluding scope 3)	0.95	1.64	2.69
Alkaline OEE[2]	67%	70%	50%
Alkaline stack yield[3]	99%	>90%	>80%
PEM stack yield[4]	94%	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.

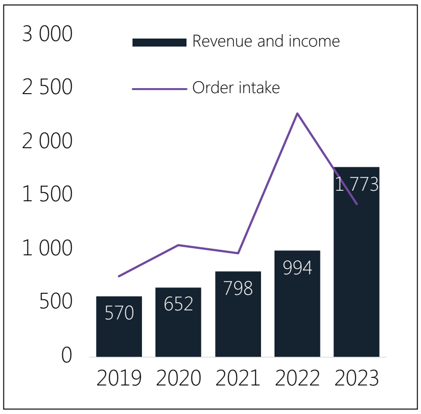
4.1 Financial development

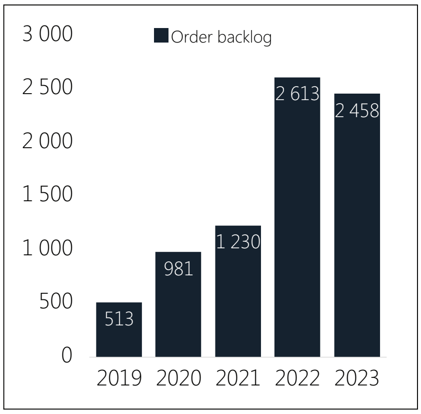
Group

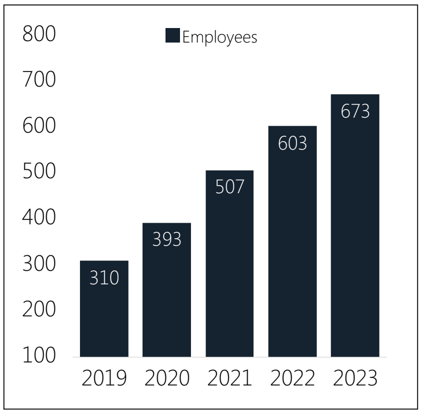
FINANCIAL REVIEW

Amounts in NOK million	2023	2022	2021
Revenue and income	1 773	994	798
Operating expenses	2 473	2 272	1 381
EBITDA	-474	-780	-475
Operating loss	-700	-1 279	-583
Order intake	1 430	2 275	967
Order backlog	2 458	2 613	1230
Number of employees	673	603	507
Total assets	7 857	6 951	6 007

REVENUE & ORDER INTAKE, ORDER BACKLOG AND EMPLOYEES







INCOME STATEMENT

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 process 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 in the company's industrialization.

The company's electrolyser strategy on large projects is to narrow the scope and concentrate on stacks and balance-of-stacks. To handle the scope Nel does not cover, 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. Similarly, Nel's Fueling division has narrowed its technology focus to the core development necessary for high capacity fueling aimed for the heavy-duty transportation segment.

Nel reported revenue and income in 2023 of NOK 1 773 million, up 78% from NOK 994 million in 2022. The growth is the result of Nel Hydrogen Electrolyser's revenue increasing 91% and Fueling increased 41%. Electrolyser constitutes 80% (2022: 75%) of Nel's total revenue in 2023

Order intake in 2023 was NOK 1 430 million (2 275) which resulted in a order backlog at end of 2023 of NOK 2 458 million, down 6% from 2022. The backlog only includes firm purchase orders with agreed price, volume, timing and terms and conditions. The decrease in order backlog is mainly explained by higher delivery of alkaline electrolyser equipment from Herøya production facility, combined with lower order intake.

Raw materials expenses totalled NOK 857 million (585), an increase of 47% from 2022. The increased raw materials expenses are related to the 84% increase in revenue from contracts with customers.

Personnel expenses amounted to NOK 821 million (665). The 24% increase compared to 2022 is mainly explained by a higher number of employees, up from 603 employees by the end of 2022 to 673 at the end of 2023. Other operating expenses also increased 9% and totalled NOK 569 million (524) 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 -474 million (-780), 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. The significant improvement in EBITDA shows that Nel's business model scales well.

Depreciation, amortisation and impairment increased to NOK 226 million (499), and the decrease from 2022 is mainly driven by the impairment of goodwill and technology in Fueling of NOK 327 million in 2022.

As a result of all of the above, the operating loss amounted to NOK -700 million (-1 279).

Net financial items amounted to NOK -173 million (92). Nel received NOK 168 million in interest from banks in the current year in comparison to NOK 72 million in 2022, caused by the increased interest rates for NOK in particular. The negative 2023 financial items were driven by a negative fair value adjustment of shareholdings in Everfuel, totalling NOK -304 million. Pre-tax loss totalled NOK -873 million (-1 187) and the net loss for the year was NOK -855 million, compared to a loss of NOK -1 171 million in 2022.

Financial position

Total assets were NOK 7 857 million at the end of 2023, compared to NOK 6 951 million at the end of 2022. Total equity was NOK 6 198 million. Thus, the equity ratio was 79%.

Cash flow

Net cash flow from operating activities in 2023 was NOK -670 million, compared to NOK -691 million in 2022. The development is positively impacted by the increased volumes sold, offset by higher personnel expenses driven by an increase in full time employees and increased net working capital of NOK 458 million in 2023. Net cash flow from investing activities was NOK -647 million (-403). Nel has purchased property, plant and equipment for NOK 574 (160) million in 2023, mainly related to the alkaline expansion at Herøya, Norway, and PEM expansion in Wallingford, both in the electrolyser division.

Nel's cash balance at the end of 2023 was NOK 3 363 million (3 139). The increase from end of 2022 is mainly due to raising gross proceeds of NOK 1 609 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	2023	2022	CHANGE
Revenue and income	1 427	748	91 %
Operating expenses	1 749	1 168	50 %
EBITDA	-159	-304	
Operating loss	-322	-420	
Order intake	1 140	1 978	-42 %
Order backlog	2 093	2 224	-6 %
Number of employees	388	304	28 %
Total assets	3 619	2 427	49 %

Nel Hydrogen Electrolyser reported strong growth, and revenue and income is 91% higher than in 2022. Revenues from sales of alkaline electrolysers and PEM electrolysers increased 156% and 35% compared to 2022, respectively.

EBITDA for the year was NOK -159 million (-304). The EBITDA is improving from the increased volume sold. Nevertheless, EBITDA continues to be negative 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 is challenging. Nel intends to continue improving its efficiency and margins in project execution.

Electrolyser continued its scaling activities including a 28% increase in number of employees. These increases are the result of Nel's ongoing preparation to deliver large-scale projects in the coming years.

The electrolyser segment reports an order backlog of NOK 2 093 million, down 131 million from 2022. The decrease in order backlog is mainly explained by higher delivery of alkaline electrolyser equipment from Herøya production facility, in addition to a lower order intake in 2023. Electrolyser projects are large and reported order intake will therefore vary significantly between years depending on the date of signing of such larger contracts. Overall demand is increasing, projects are getting larger, and customers are looking towards suppliers with available capacity and a track record for delivering equipment. In 2023, Nel has secured several paid front end engineering studies for projects above 100 MW. Order intake will vary depending on the progress in turning these pre-studies into firm equipment orders.

The expansion program for the Herøya and Wallingford facilities remain on plan. The increased capacity will allow for a significant continued growth in revenues.

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. As well as, further development of the current atmospheric alkaline technology towards larger capacity solutions. Finally, in order to meet new large-scale opportunities within the PEM portfolio, Nel is developing a next generation PEM platform. All of these three development activities target increases in functionality and decreases in levelised cost of hydrogen for our current and future customers and are intended to increase demand for our products globally.

Production capacity development

- Alkaline Water Electrolyser ("AWE")
  - In an effort to meet the global ambitions for renewable hydrogen, Nel has 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 281 million as of 31 December 2023. Total contractual commitments beyond December 2023 for the second line are NOK 118 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 to prepare for further expansion.
- Proton Exchange Membrane ("PEM")
  - In 2023, Nel initiated expansion and automation of the PEM electrolyser production capacity in Wallingford, Connecticut. The expansion will bring annual production capacity towards 500 MW in 2025. The carrying amount for the Wallingford expansion is NOK 180 million as of 31 December 2023. Total contractual commitments beyond December 2023 for the expansion are NOK 100 million, including purchase contracts for all the physical equipment needed.

 - 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, to enable low-cost hydrogen storage and resiliency applications. The aim is to reduce both operating and capital costs for hydrogen production using PEM electrolyser technology.
- Nel has selected Plymouth in Michigan for its next gigafactory. Fully developed, the factory will be among the world's largest electrode manufacturing facilities, with a total annual capacity of 4 GW Alkaline and PEM technology. The factory will be built in steps to match supply with demand. A final investment decision for constructing this facility has not been made yet.

Key commercial activities

- Order intake in 2023 was NOK 1 140 million (2022: 1 978) which resulted in an order backlog at end of 2023 of NOK 2 093 million, down 6% from 2022.
- Nel Hydrogen Electrolyser received large purchase orders for:
  - An alkaline electrolyser to HH2E in Germany for producing renewable hydrogen for several purposes. Value approximately EUR 34 million.
  - Alkaline electrolyser equipment sold to Bondalti to inject green hydrogen into the natural gas grid, long-haul transport and for chemical processes. Value approximately EUR 11 million.
- Other purchase orders include:
  - Multiple PEM electrolysers to several customers. The offtake from the renewable hydrogen production in these contracts are mainly for heating and gas. Value approximately USD 20 million.
  - Multiple alkaline electrolysers to several customers. The renewable hydrogen will be used in refinery and chemical processes, amongst other. Value approximately EUR 30 million.

SUBSEQUENT EVENTS

- On January 19, 2024, Nel received purchase order from Samsung C&T for a value of approximately EUR 5 million
- On February 2, 2024, Nel realigns relationship with Nikola and will support Fortescue on its 80 MW Phoenix hydrogen hub, for a total consideration of about USD 20 million.

Nel Hydrogen Fueling

Financial review

Amounts in NOK million	2023	2022	CHANGE
Revenue and income	346	245	41 %
Operating expenses	602	972	-38 %
EBITDA	-202	-352	
Operating loss	-256	-726	
Order intake	290	297	-3 %
Order backlog	364	388	-6 %
Number of employees	255	269	-5 %
Total assets	811	1 005	-19 %

Revenue and income for the year increased 41% compared to 2022, while operating expenses excluding impairment decreased 7% in the same period. Nel has made significant steps in the transformation of the Fueling division during 2023, though there is still work to do. Fueling continues to operate in a low order intake environment, and as a result backlog has decreased by 6% during the year. Nevertheless, Nel Fueling entered into a substantial agreement to deliver 16 hydrogen fueling stations to be deployed in California, US from an undisclosed US customer.

Gross margin continues to be negatively impacted by quality costs. 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 -202 million (-352) in 2023. An improvement due to increased revenues, improved cost control and quality and a decrease in personnel expenses resulting from a 5% decrease in the number of employees. The results continue to be unsatisfactory and Nel is intensifying actions to improve the performance and profitability of this division.

The change in operating expenses from NOK 972 million in 2022 to NOK 602 million in 2023 is mainly because 2022 was impacted by a NOK 327 million impairment of goodwill and technology. Other changes include reduction in number of employees from 269 to 255.

Nel continues to secure orders for its current product specification while scaling up core technology components to the specification necessary for high capacity fueling aimed for the heavy-duty transportation segment.

DEVELOPMENT AND KEY PROJECTS

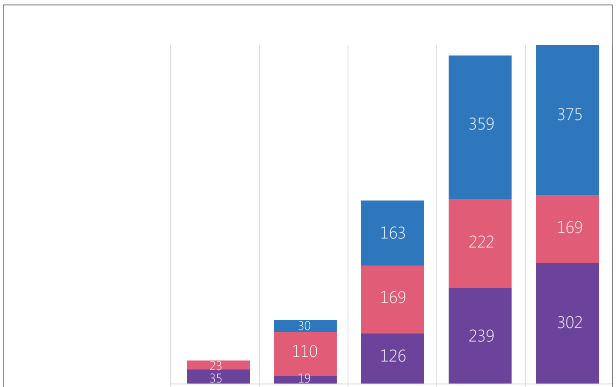
Technology development

Nel Hydrogen Fueling continues to see high utilisation of many of the stations already installed. The utilisation is generally at a similar level as in 2022, with some regions impacted by issues with supply of hydrogen. The commercial use 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-fueled transportation as a viable and reliable option across the globe.

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

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

TONNES OF H2 FUELED FROM NEL H2STATION®



	2019	2020	2021	2022	2023
Asia	-	30	163	359	375
USA	23	110	169	222	169
Europe	35	19	126	239	302

Production capacity development

- Manufacturing facility, Herning, Denmark
  - Nel's H2Station™ manufacturing plant is located in Herning, Denmark. 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 2023 was NOK 290 million (2022: 297) which resulted in an order backlog at end of 2023 of NOK 364 million, down 6% from 2022.
- Nel Hydrogen Fueling received large purchase orders for:
  - 16 hydrogen fueling stations to be deployed in California, US from an undisclosed US customer. Value approximately USD 24 million.
- Other purchase orders for:
  - Two H2Station™ hydrogen fueling module in France. Value approximately EUR 2 million.

SUBSEQUENT EVENTS

On 7 February 2024, Nel was made aware that Iwatani Corporation of America has filed a lawsuit with claims for damages in an unspecified amount towards Nel and certain of its subsidiaries in connection with certain agreements for delivery of fueling equipment and services between Nel Hydrogen Inc. and Iwatani Corporation of America. Nel and its subsidiaries strongly reject the allegations made in the lawsuit by Iwatani Corporation of America and will vigorously oppose the allegations and the lawsuit. The lawsuit was filed with the United States District Court in the Central District of California.

Corporate developments

- Nel raised NOK 1 609 million in gross proceeds through a private placement in March 2023
- During 2023, Nel has divested all its shares in Everfuel for a total net consideration of about NOK 133 million.
- Nel received significantly reduced notice of fine related to the Kjørbo incident from 2019, reducing fine from NOK 20 million to about NOK 1 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 2023, the company had 1 671 325 304 issued shares, each with a nominal value of NOK 0.20 per share. This comprised 1 670 907 271 outstanding shares and 418 033 treasury shares.

Euronext VPS recorded 25 741 known shareholders as of 31 December 2023. In addition, a substantial number of unknown shareholders owning shares through custodians, such as Clearstream Banking. The list of 25 741 known shareholders includes a considerable number of Nordic institutional investors and private investors. Regarding the unknown shareholders, Nel's last investigation of investors owning shares through custodians indicated a large number of the shareholder base was located in Continental Europe. Nel is currently in process of mapping the entire shareholder structure, including the unknown shareholders, following the implementation of the Shareholders Rights Directive II (SRD II). However, at the time of writing this process is not yet completed.

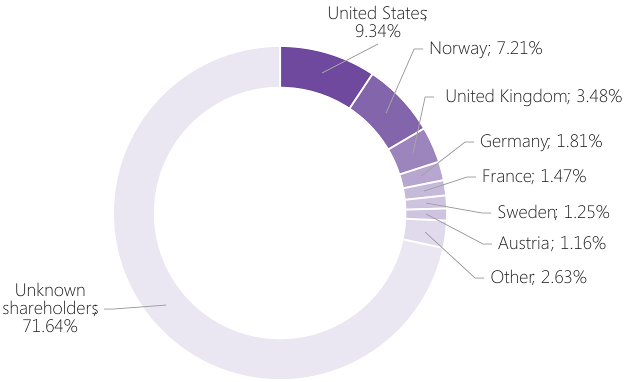
According to FactSet, which monitors filings from institutional investors (not always visible on Euronext VPS), we find the following top 20 shareholder overview (on an ultimate parent level) as of 31 December 2023.

Distribution of known institutional shareholders

	TOP 20 INSTITUTIONAL SHAREHOLDERS	% OF SHARES OUTSTANDING
1	BlackRock, Inc.	3.97%
2	The Vanguard Group, Inc.	3.58%
3	Government of Norway	2.70%
4	DNB Bank ASA	1.72%
5	Storebrand ASA	1.55%
6	Legal & General Group Plc	1.05%
7	SAS Rue la Boetie	1.02%
8	Svenska Handelsbanken AB	0.88%
9	AXA SA	0.82%
10	Van Eck Associates Corp.	0.80%
11	Mirae Asset Global Investments Co., Ltd.	0.64%
12	Allianz SE	0.62%
13	Argenta Bank en Verzekeringsgroep NV	0.46%
14	New York Life Insurance Co.	0.38%
15	Deutscher Sparkassen-und Giroverband eV	0.38%
16	Erste Group Bank AG	0.38%
17	Eika Gruppen AS	0.37%
18	green benefit AG	0.35%
19	BNP Paribas SA	0.34%
20	FV Frankfurter Vermogen AG	0.31%

Source: FactSet, as of 31.12.2023

Country of known institutional shareholders/insiders



source: FactSet as of 31.12.2023

The company has placed considerable emphasis on providing shareholders, capital market participants and other stakeholders 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 and believe in a transparent and honest communication with the market.

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 on-road vehicles. 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.

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 levelized cost of hydrogen. 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 countries begin 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 are 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 in the United States, providing fueling stations for 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. Our current strategy is

Photo: Ferenc Horvath

focusing on developing high capacity fueling stations for heavy-duty transportation, phase out old product platforms, and cultivate a smaller and better product portfolio. From now on, Nel Fueling 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:

MEMBERSHIP AND ASSOCIATION	ROLE
Renewable Hydrogen Coalition (EU)	Co-Chair
Hydrogen Europe (EU)	Corporate member
Fuel Cell & Hydrogen Energy Association, FCHEA (US)	Corporate Member
Hydrogen Council (International)	Corporate member
Norsk Hydrogenforum (Norwegian Hydrogen Association)	Corporate member
Renewable Hydrogen Alliance (US)	Corporate member
Clean Hydrogen Futures Coalition, CHFC (US)	Board member
California Hydrogen Business Council, CHBC (US)	Board member
Brintbranchen (Danish Hydrogen Association)	Board member
Ammonia Energy Association (US)	Board member

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. No climate related risk has been identified to affect our physical assets or operations in the short and mid-term. Climate events may increase the requirements for product safety or the water supply for production of hydrogen via electrolysis. These risks are not considered to have a severe impact to our operations, although consideration shall be taken for alternative sources of water in water stressed regions (such as water desalination) or increased product safety test against climate event (such as flooding and earthquake).

The climate transition will also allow customers and governments to select the product technology that better suits their need. Nel foresee an increased risk related to product failure and technology obsolescence. The reputational damage risk from product failure and failure to meet high expectation from our customers may affect the eligibility of our equipment technology. Nel prioritize investments in R&D, allocating sophisticated resources to meet regulation and market demands.

Lastly, local authorities and governments have an important role in the renewable hydrogen sector by enacting legislation that support research and innovation and scalable investments in production and infrastructure. Reduced and/or delayed support from governments will delay the development of the renewable hydrogen industry. Political incentive schemes such as the Inflation Reduction Act in the United States and the Hydrogen Bank in the EU are expected to be important contributors to developing the industry.

Outlook

SUSTAINABILITY FUTURE PROSPECTS

The growing urgency of shifting to a low carbon economy is set as a high priority for several governments following the warmest year since pre-industrial era. The COP28 signalled what can be the beginning of the end of the fossil fuel era. 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. Automation of manufacturing process, organizational expansion, tax grants to offtakers of renewable hydrogen, 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 levelized cost of hydrogen (LCOH) 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.

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 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. The increase in interest rates and raw material prices makes renewable energy more expensive, potentially negatively influencing the near- to mid-term market outlook.

Nel is in a good position to maintain its leading position in electrolysers. Nel's proven track record and automated production capability is an important differentiating factor. Based on a large and growing pipeline of opportunities, Nel has the ambition to win several new large-scale orders in the coming periods. Higher revenues in combination with more efficient execution are expected to yield greater profitability in Electrolyser. 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 require more work in all phases from planning through execution. Order intake is 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. Margins in the Fueling division are currently improving as quality costs related to the installed base decreases. Nel has implemented and will continue to implement 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 Environment, 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. In addition, Nel partially incorporated the requirements of the Corporate Sustainability Reporting Directive ("CSRD"). The CSRD requirements will be fully implemented for the reporting period starting as of 1 January 2024.

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

The European Commission adopted legislative Corporate Sustainability Reporting Directive (CSRD) and its European Sustainability Reporting Standards (ESRS) will enter into force for reporting periods starting as of 1 January 2024 in the European Union and in Norway. In 2023, Nel developed a double materiality methodology inspired by the CSRD due diligence to identify impacts, risks and opportunities in its value chain that may affect people and environment.

Nel's double materiality is designed for increased dialogue with stakeholders and a comprehensive due diligence process of how our value chain impacts people and environment, and which ESG risks and opportunities may affect Nel in the short, mid and long-term. The preferred channels to engage with stakeholders in 2023 were meetings, conferences, peer reviews, monitoring of media and publications of organization classes and focus groups.Nel combined these several mechanisms to evaluate the scale, scope and irremediability of the impacts from ESG topics that have been identified during the engagement with stakeholders. In addition, the magnitude of such ESG topics were considered in our financial materiality process.The table below summarizes key methods used to engage with stakeholders in 2023:

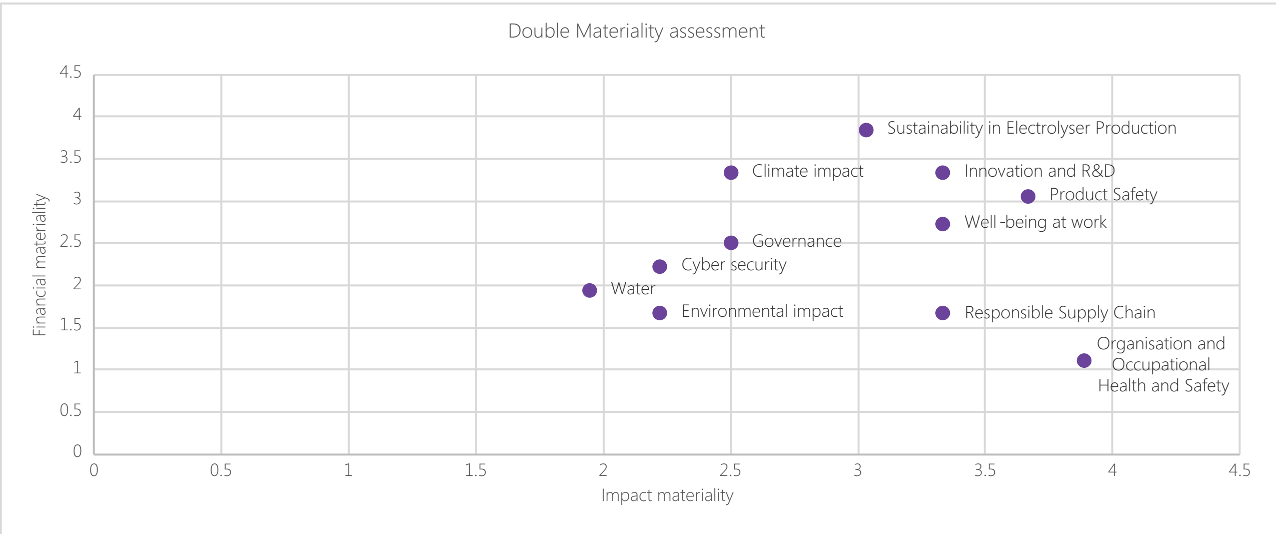
STAKEHOLDER GROUP:	HOW DOES NEL ENGAGE WITH ITS STAKEHOLDERS:	MINIMAL FREQUENCY OF ENGAGEMENT:
Customers	• Project meetings • Site tours and audits • Tender responses and presentation	Ongoing
Suppliers	• Site visits • Screening and qualification processes • Supplier Audit program	Ongoing
Employees	• Code of conduct and compliance training • Performance dialogues and reviews • Town hall meetings • Culture engagement through Nel Business System ("NBS") • Negotiation with employee representatives (labor unions or equivalents)	Ongoing

Shareholders and capital market participants	• Quarterly results presentations and capital market days • Conferences, ad hoc meetings, and site visits • Stock exchange filings, press releases	Quarterly, ad hoc
Governments	• Meetings • Site visits • Reports and websites	Ad hoc
Partners	• Joint projects • Multi-stakeholder collaboration	Weekly, ad Hoc

An ESG research was performed assessing the impacts of our value chain, on people and environment as well as a financial materiality assessment evaluating how our impact on people and environment can affect Nel's profitability, access to capital and market development.

In 2024, Nel plans to continue the stakeholder engagement program with surveys to identify ESG topics of concern and workshops with employees directly dealing with key stakeholder groups. The ESG risk management process will be embedded into the Enterprise Risk Management ("ERM") program for consolidation of risk governance in a unified risk platform. As part of the ERM, key performance indicators will be designed to measure and track the efficiency of ESG policies and procedures for all material risks identified in our double materiality assessment. The key performance indicators and their respective targets are disclosed on the sections for each subtopic of this ESG report.

The summary results of our preliminary Double Materiality Assessment are disclosed in graphic format in a scoring scale of 1 (not material) to 5 (highly material):



Visit **www.nelhydrogen.com/sustainability**.

SOURCE OF ESTIMATE OR UNCERTAINTY

Stakeholder feedback for double materiality assessment

The double materiality assessment implemented in 2023 relied on a streamlined process to obtain feedback from key stakeholders that acted as a sample representative for its stakeholder group communicating impacts, risks and opportunities that affected their business relationship with Nel. A sample methodology carries inherent risk of misrepresentation. Nel has in place feedback mechanisms, such as grievance mechanisms or the investor relation department, aiming to identify material discrepancies arising from inaccurate interaction with a stakeholder group representative.

Measurement of Greenhouse Emissions

Nel adopts the GHG protocol as the framework for accounting of Greenhouse Gas emissions. For some categories, such as transportation and business travelling, Nel relies on CO_2 emissions directly converted by vendors. In some instances, Nel does not have access to the methodology applied by vendors to convert its CO_2 emissions.

Net Zero commitment

Nel is committed to achieve Net Zero emission before 2050. The 2050 Net Zero commitment relies on a successful climate transition of vendors operating in hard-to-abate such as the steel industry. Nel does not have sufficient control of when supply of low emissions goods and services will be available for reduction of Greenhouse Gas emissions classified in the scope 3 of its GHG inventory.

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 reporting on material events. During the year, the company arranged site visits in smaller groups for institutional investors and capital market participants to the Herøya facility and engaged with investors and capital market participants in conferences, events and forums.

Customers

Customers are generally concerned with product performance, 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 journey to deliver a satisfying product to the client, and to take home learnings to the organization. Recently, customers have increased the interest in the CO2 emissions of equipments in response to new carbon regulations, net zero commitments, and tax incentives associated with low CO2 emissions. Product certification and local regulations for production of hydrogen are also high on their agenda for the coming years.

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

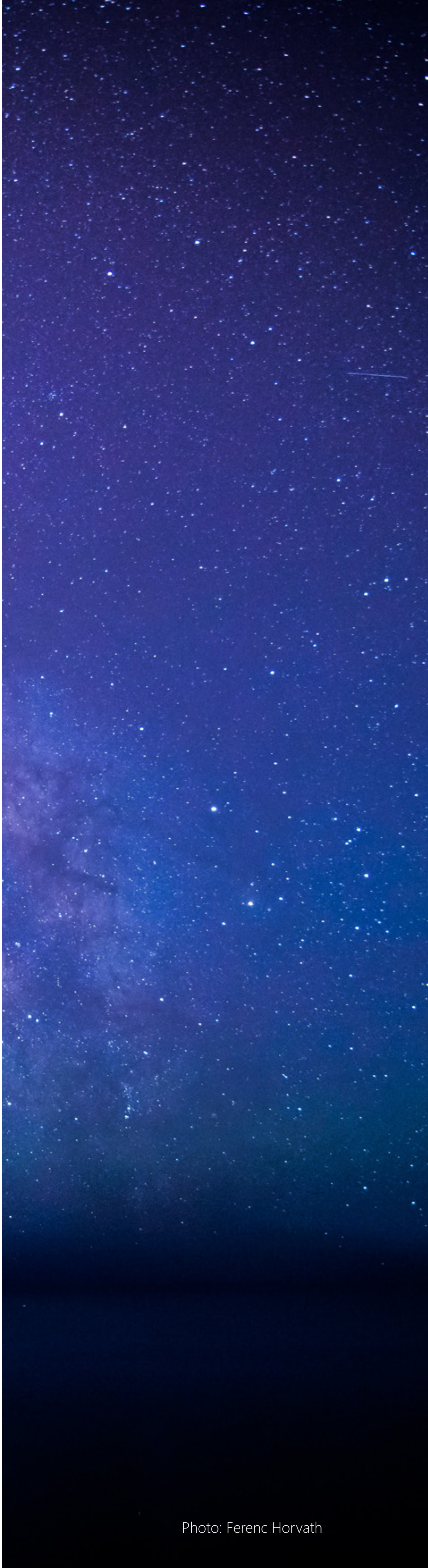


Photo: Ferenc Horvath

suppliers 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. During 2023, governors and government officials from the United States, Norway and Germany, amongst others, have visited our automated factory for large scale production in Herøya.

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 its 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:

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 Levelized Cost of Hydrogen ("LCOH") 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 QHSE target of zero-tolerance for discrimination of any kind, and has put in place grievance mechanisms should such a case emerge.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Nel is committed to reducing the cost of renewable 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 renewable hydrogen economy, making it possible to decarbonise various industries such as transportation, refining, steel, and ammonia.

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 below:

ESG		UNIT OF MEASUREMENT	PAGE	SDGS	31 DECEMBER 2023	TARGETS 2024
E	**GHG Emissions**		41	13		
	GHG intensity based on net revenue	tCOe2 (excluding scope 3)/net revenue in NOK million			0.95	-
E	**EU Taxonomy**		61	7, 13		
	Revenue eligible to EU Taxonomy	%			93.3%	-
	Opex eligible to EU Taxonomy	%			44%	-
	Capex eligible to EU Taxonomy	%			95%	-
E	**Energy**		38	7, 13		
	Energy intensity based on net revenue (MWh/MNOK)	MWh/net revenue in NOK million			9.80	-
E	**Water**		41	7, 13		
	Water intensity based on net revenue	Water withdraws m³/ net Revenue in MNOK			7.16	-
	Ni particles in water – Herøya	µg/m3			5.4	<6
	Environment incidents*	Reportable event			None	None
E	**Waste**		38	7, 13		
	Recycled non-hazardous waste	%			48%	Recycling rate above 50%
E/S	**Sustainability in electrolysers production**		45	9, 13		
	Overall equipment effectiveness (own production) - Alkaline	%			67%	~78%
	Overall equipment effectiveness (own production) - PEM	%			91%	~90%
	Product quality yield (alkaline)	%			99%	>99%
	Product quality yield (PEM)	%			94%	>98%
E/S	**Responsible supply chain**		48	8, 9, 13		
S/G	**Transparency Act**		41	8		
	Supplier audits concluded within the fiscal year	Supplier audits completed during the reporting period			23 strategic suppliers	30 strategic suppliers
	Integrity Due Diligences performed for suppliers with active contracts				99.8%	100%
S	**Organisational and occupational health and safety**		48	8		
	Percentage of employees covered by Nel's health and safety systems	%			100%	100%
	Total recordable injuries frequency (TRIF)	TRIF per 1,000,000 hours worked			19.67	<10.2
	Lost time injury frequency (LTIF)	LTIF per 1,000,000 hours worked			11.24	<5.2
	Fatality rate	Recordable events in the last 12 months			None	None
S	**Training programs**		41	8		
	Cyber Security Training Awareness	%			100%	100%
	Safety program awareness	%			92%	100%
G	**Innovation and R&D**		38	9		
	R&D spend in % of annual revenue and other income	%			21%	<10%
G	**Ethical business conduct and compliance**		57	8		
	Total amount spent in fines for damages as a result of violations regarding social and human rights factors	NOK			0	0
	Expenditure with lobby and donation to political parties	NOK			0	0
G	**Payment practice**		57	9		
	Confirmed incidents of corruption or bribery	Reportable event - per incident			0	-
	Number of contracts terminated due to confirmed incidents relation to corruption or bribery	Reportable event - per contract			0	-
G	**Board composition**		57	9		
	Non-executive board members**	Board member			7 (100% of board members)	(100% of board members)

* Environmental incidents are defined as notice of violation, notice of non-compliance or release of pollutants beyond the limits set in the environmental permit.
** Members of the Board of Directors who does not have a role in the leadership team

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.

Environment

CLIMATE CHANGE OPPORTUNITY AND EMISSIONS AVOIDED

Governments, companies, and researchers are increasingly looking into ways to accelerate the climate transition and achieve carbon neutrality in a safe and sustainable manner. In recent years, companies and policy makers have been facing increased expectations to identify viable solutions to replace the legacy systems dependent on fossil fuels to operate.

Hydrogen is the most abundant element in Earth, a rich source of energy and contains the unique ability to carry energy. These delightful combination of qualities places renewable hydrogen as a pivotal player in the energy transition with several possible applications. Hydrogen in its grey form (produced from natural gas or methane) has been traditionally applied on feedstock to produce ammonia, methanol, or as a reducing agent to produce iron (DRI). Its rich energy level and its ability to carry energy has allowed new applications to be implemented for climate change as a fueling for transport, for high-temperature heating in hard-to-abate industries and for storage and generation of electricity providing energy security for renewables source with seasonal energy generation.

The broader scope for hydrogen in the climate transition is forecasted to increase hydrogen demand from 95Mt in 2022 to up to 150Mt in 2030, with nearly 40% coming from new applications[1]. In addition, hydrogen has accounted for 2.5% of global emissions in 2022, generating more than 1Gt of CO2 emissions that could have been avoided if replaced by renewable hydrogen[2].

Market development

During 2023, governments in strategic countries to Nel took important steps enacting tax credit schemes that will accelerate the economic viability for offtakes of climate transition projects. The United States announced the first projects qualified for tax credits to renewable hydrogen producers in the Inflation Reduction Act. In the European Union, a renewable hydrogen bank was announced in March 2023 with EUR 800 million in budget for tax credits to hydrogen producers through a fixed premium in €/kg of renewable hydrogen produced. These important developments support offtakes in the investment decisions and demonstrate the potential of renewable hydrogen as an enabler to decarbonize hard-to-abate sectors with critical importance to society such as personal or public transport, freight logistics, industrial heating, and industry feedstock.

The renewable hydrogen industry continues to navigate through challenges related to the size of tax incentives and unclear regulation for safety and infrastructure. For the climate transition to meet the pace agreed in the 1.5 C° Paris Agreement, policymakers will have to increase the clarity of regulation in the coming years and adjust the budget for tax incentives, so projects become economically viable. Nel works on the forefront of the renewable hydrogen industry challenges towards industrial scale, cost reduction and supplying safe and efficient equipment for renewable hydrogen producers.

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 95 million metric tons of hydrogen in 2023, hydrogen predominantly derived from fossil sources. Current production of grey hydrogen is responsible for more than 1 100 million tons of CO2 emissions[2]. 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 has not been readily available to Nel. There are several challenges related to energy source used for hydrogen production, as well as emissions from equipment used for energy generation and transportation. Nel has therefore not been able to report on the relative emissions avoided for Nel's customers globally current year. The sections below showcase some of the significant opportunities for renewable hydrogen, with emissions avoided as the basis for such assumption.

FOSSIL FUEL PARITY

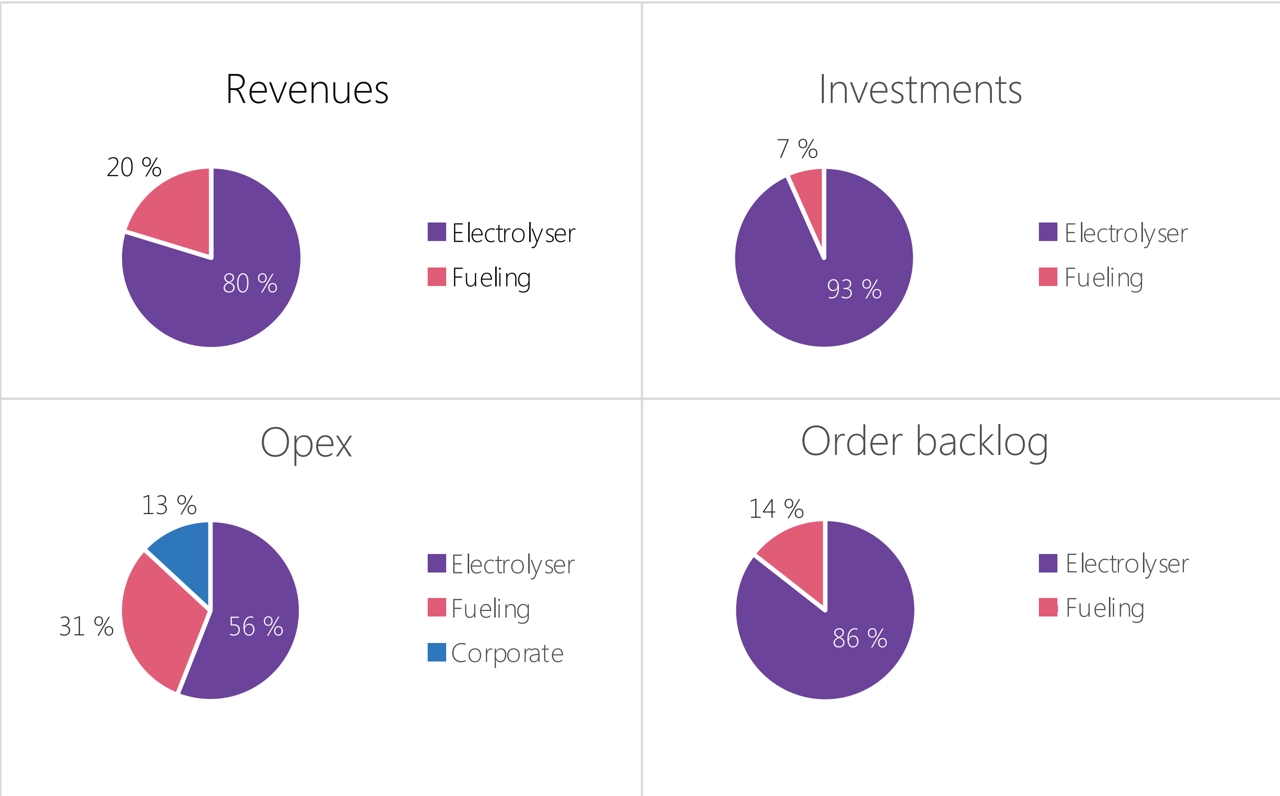
To increase the distribution and adaptation of renewable hydrogen it must be cost competitive with hydrogen made from natural gas. The hydrogen market is already massive. 95 million tonnes per year is already produced and used in various applications. According to International Renewable Energy Agency ("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

1 IEA (2023), Global Hydrogen Review 2023, IEA, Paris https://www.iea.org/reports/global-hydrogen-review-2023, License: CC BY 4.0
2 IEA (2023), Hydrogen Patents for a Clean Energy Future, IEA, Paris https://www.iea.org/reports/hydrogen-patents-for-a-clean-energy-future, License: CC BY 4.0

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 renewable 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 renewable hydrogen economy.

Electrolyser climate-related opportunities

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 and R&D investments (Investments) and operating expenditures (Opex) are all related to renewable hydrogen technology:



Case 1: Decarbonizing ammonia ("industrial application") - How hydrogen is vital to sustainable farming- How *Renewable hydrogen production by electrolysis is proving a viable pathway to sustainable ammonia, making fertilizer manufacturing and modern agriculture green.*

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 account for 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.

Case 2: Mobility ("fuel cell electric vehicles") - Fueling future transportation

Renewable 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 renewable 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 enacted that hydrogen refuelling stations serving both cars and lorries must be deployed from 2030 onwards in all urban nodes and every 200 km along the TEN-T core network.

Renewable 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, that firmly believe tomorrow's heavy-duty vehicles will be powered by renewable 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.

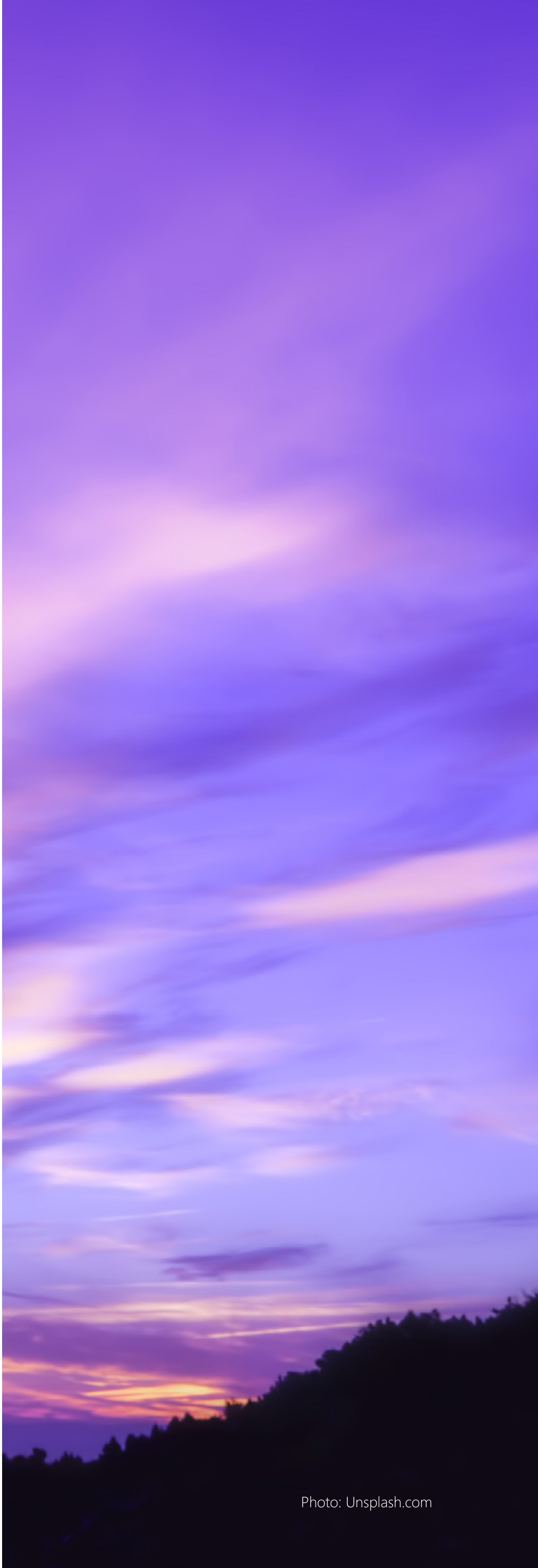


Photo: Unsplash.com

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.

KEY PERFORMANCE INDICATORS	UNIT OF MEASUREMENT	31 DECEMBER 2023	TARGET 2024
GHG Emissions			
Scope 1	tCO_2e	373	-
Scope 2 - Market based	tCO_2e	6 206	-
Scope 2 - Location based	tCO_2e	1 247	-
Scope 3 (without Capex emissions)	tCO_2e	17 129	-
Scope 3 (with Capex emissions)	tCO_2e	31 964	-
GHG intensity based on net revenue	tCOe2/net revenue in NOK million	18.94	-
Energy consumption - non-renewable sources			
Purchased gas for heating	MWh	2 021	-
Purchased electricity	MWh	14 708	-
Energy intensity based on net revenue	MWh/net revenue in NOK million	9.8	-
Water			
Water withdraws	m^3	12 227	-
Water discharge	m^3	8 387	-
Water intensity based on net revenue	Water withdraws in m^3/net revenue in NOK million	7.16	-
Pollution			
Nickel particles in water - Herøya	µg/m3	5.4	<6
Environmental incidents*	Reportable event	None	-
Waste			
Total waste	Kg	2 561 089	-
Hazardous waste	Kg	2 405 670	-
Hazardous waste (treated by certified outsourced partners)	Kg	2 405 670	-
Non-hazardous waste	Kg	155 419	-
Recycled non-hazardous waste	Kg	74 709	-
Recycled non-hazardous waste	%	48%	>50%

* Environmental incidents are defined as notice of violation, notice of non-compliance or release of pollutants beyond the limits set in the environmental permit.

CLIMATE-RELATED RISK FACTORS

Climate scenarios

Nel's climate-related risks are managed assessing the physical impacts that climate events can have to the operations, workforce, product safety, customer contracts, supply chain and commercialized technology. Climate scenarios were forecasted with the RCP8.5 (very high emissions) from the Intergovernmental Panel on Climate Change ("IPCC"), fifth assessment. Nel assesses climate events within time intervals defined as short term (2024), mid-term (2025-2030) and long term (2030-2040) in line with our expectations of market scaling for the Electrolyser industry. Climate risks and opportunities identified in the short and mid-term scenarios are incorporated in the Enterprise Risk Management process for risk monitoring, while a long-term scenario is forecasted for reference purposes.

In our forecast, workforce, technology obsolescence and safeguard of assets were critical dependencies that could be affected by a climate event. Nel did not forecast severe chronic climate events that could require reallocation of assets nor result in constraints to its workforce. Nel facilities are leased with contracts with termination options around 2030 and located in areas with developed transport access. In case of unprecedent climate events, Nel's operation could be reallocated to areas with higher resilience to climate events or Nel could negotiate with lessors to increase the climate resilience of the buildings. A reallocation of assets is expected to affect our highly skilled workforce, supply chain as well as could arise potential disputes with customers for liquidation damages due to delays to deliver projects. However, Nel expects the largest impact to be the opportunity to provide viable technology for production of hydrogen with a product technology that requires low carbon emission.

Currently, the forecasts have significant complexity with a very high level of uncertainty in the outcomes for different scenarios. The climate events in the high emission scenario (RCP 8.5) could have from no economic impact to up to two times of our annual revenue invested in reallocation of assets and employees, and potential losses from customer contracts and production capacity. Nel has a catastrophe policy in place to manage eventual climate acute event. Our insurance policy aims to safeguard assets and resources in an efficient manner, and it is expected to cover some or all losses in case of acute climate events. The production capacity of our facilities and the technology of our products are ready to support companies in their climate transition before the long-term impacts of conduct business as usual in a high emission scenario.

Policymakers, tax incentives and carbon tax schemes

Policymakers such as local authorities and governments have an important role in the renewable hydrogen industry by enacting legislations that support research and innovation and scalable investment in production and infrastructure. The implementation of Carbon Emission Tax ("CET") or Carbon Border Emission ("CBE") will contribute to making renewable hydrogen projects economically viable due to expected increase in the cost of producing raw materials from energy sources that relies on fossil fuels.

Critical minerals

Critical minerals are in the spotlight due to the risk of limited available supply for crucial technologies in the climate transition. Raw materials supply issues could surface when the value chain experiences 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 higher recycling rates will be necessary to reduce the risk. In response, Nel encourages customers to return PEM electrolysers for recycling and R&D activities when product achieves its end-of-life.

PFAS ban in the European Union

In January 2023, some European countries (Norway, Germany, Netherlands, Sweden and Denmark) initiated a proposal to ban manufacturing of articles containing per- and polyfluoroalkyl substances ("PFAS") in its composition. PFAS is a large class of synthetic chemicals with several applications in society. PFAS has been increasingly detected as an environmental pollutant due to its long resistance to degradation. In Nel, PFAS is directly included in the production of electrolysers with PEM technology and the enactment of legislations altering current PFAS regulation might affect our ability to continue the development of this type of equipment in its current form.

Summary of climate adaptation risks and opportunities

Our most critical climate related risks and opportunities in a high emissions scenarios were summarized in the table below:

CATEGORY		RISK AND OPPORTUNITIES	2024	2025-2030	2030-2040
Policy and legal	1	Carbon Emission Tax	● (light peach)	● (purple)	● (purple)
	2	Carbon Border Tax	● (light peach)	● (purple)	● (purple)
	3	Tax credits enacted to producers of hydrogen with low emission	● (purple)	● (purple)	● (salmon)
	4	Regulation on hydrogen production and its equipment (e.g. PFAS ban)	● (red)	● (red)	● (yellow)
Market risk	5	Renewable Hydrogen certification	● (purple)	● (purple)	● (purple)
	6	Insufficient supply of critical minerals	n.i.	n.i.	● (yellow)
Technology risk	7	Disruption on supply of fresh water can affect market development of Electrolysers	n.i.	n.i.	● (light peach)
	8	Technology competition (preferred low carbon technology for production of hydrogen)	● (red)	● (red)	● (red)
Reputational risk	9	Product incidents related to extreme climate events	n.i.	● (light peach)	● (yellow)
	10	Failure to reduce CO2 emissions	n.i.	n.i.	● (light peach)
Physical climate transition risks	11	Flooding affecting production facilities	n.i.	n.i.	● (light peach)
	12	Water scarcity on strategic markets	n.i.	n.i.	● (yellow)
	13	Product Safety incidents arising from climate acute events	n.i.	● (light peach)	● (light peach)

LEGEND FOR FINDINGS:		
RISK	OPPORTUNITY	RISK CLASSIFICATION
● (red)	● (purple)	High
● (yellow)	● (magenta)	Medium
● (light peach)	● (salmon)	Low
n.i.	n.i.	No impact

WATER

Water consumption

Nel consumes low amounts of water for cooling, production, and testing of equipment. Nel ensures an appropriate discharge of the water consumed in the operation with its Wastewater Treatment Plants installed in Herøya, Norway and Wallingford, United States. The QHSE department performs periodical water sampling and laboratorial sampling to control the pollutants level on the discharged water. Nel's QHSE team works on the assumption of best available technique to ensure the correct monitoring and treatment of pollutants.

The Hydrogen Fueling Station division does not directly consume water in the manufacturing of equipment.

	HERØYA	WALLINGFORD	TOTAL	TARGET
	2023	2023	2023	2024
Water withdrawal (m^3)	9,056	3,171	12,227	-
Water discharge (m^3)	7,732	655	8,387	-
Nickel Particles in the water (µg/m3)	5.4	*	n.a.**	<6

*Below 0.01 Nickel Particles per µg/m3
**Not applicable

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 renewable hydrogen per unit of energy. [3] From a circular economy perspective, hydrogen technology does not 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.[4] Continuous development of adjoint water desalination plants, alternative modes of low-grade and saline surface water electrolysis[5], 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.

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. Data collection for accounting of CO2 emissions occurs at report from supplier, in-house conversion of CO2 emissions based on metrics of product consumption or conversion of nominal expense into average CO2 emissions. Nel's accounting policies for GHG inventory is inspired by the Greenhouse Gas protocol, with full compliance to be achieved in the annual report of 2024.

3 (PDF) Development of a Life Cycle Inventory of Water Consumption Associated with the Production of Transportation Fuels (researchgate.net)
4 Quantification of freshwater consumption and scarcity footprints of hydrogen from water electrolysis: A methodology framework - ScienceDirect
5 Electrolysis of low-grade and saline surface water | Nature Energy

	FUELING	PEM	AWE	CORPORATE
Scope 1	Yes	Yes	Yes	Yes
Scope 2	Yes	Yes	Yes	Yes
Scope 3	Yes	Yes	Yes	Yes
Business travel	Yes	In progress	Yes	Yes
Capital goods	Yes	Yes	Yes	Yes
Waste	Yes	Yes	Yes	Immaterial
Purchased goods and services**	Yes	Yes	Yes	No reportable emission
Transportation and distribution	Yes	Yes	Yes	Immaterial
Use of sold products	Yes	Yes	Yes	Immaterial

*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 have not been included in the scope 1-3 GHG inventory reported in 2023. 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.

Greenhouse Gas accounting - 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.

Subsidiaries with less than 50 employees have not been consolidated as aggregated emissions from these legal entities are estimated to have immaterial contribution to the consolidated GHG inventory (estimated at lower than 1% of total inventory of CO2 emissions). Nel estimates its total CO2 emissions in the reporting period as follows:

Greenhouse Gas emissions in ktCO2e	31 December 2023
Scope 1	0.4
Scope 2	1.2
Scope 3	30.3
Total	32.0

Scope 1

The emissions within scope 1 arise from the fueling of cars and forklifts, and facility heating.

Scope 2

The majority of emissions from scope 2 of 1 246 t CO2e 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 in 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, United States. 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 0.0062 kgCO2/kWh.

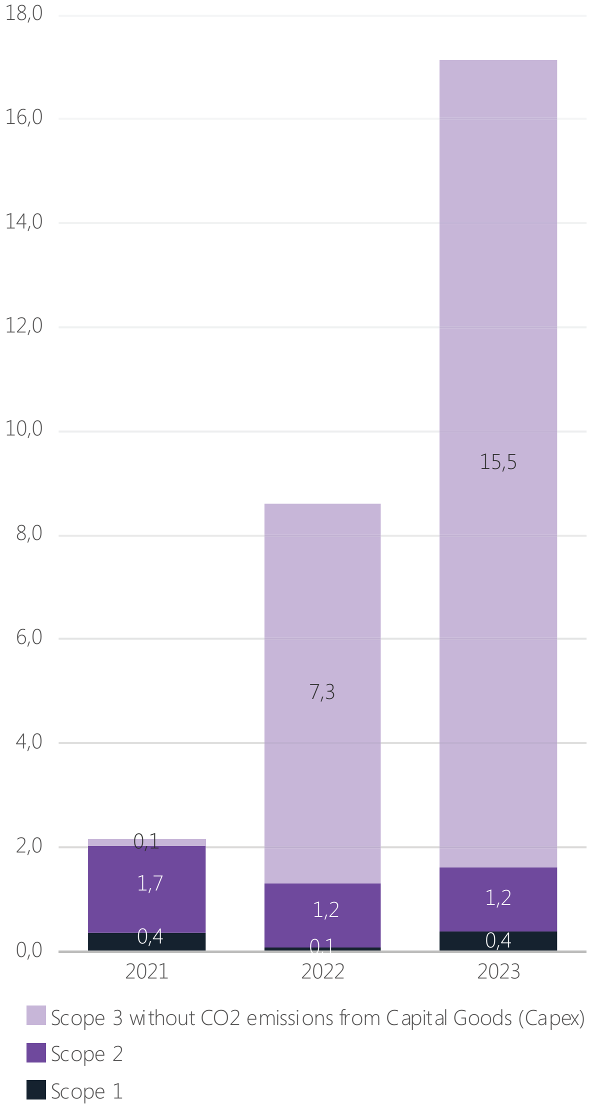
Denmark

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 0.124 kgCO2/kWh.

Connecticut, United States

The facility in Wallingford, Connecticut, has an energy mix that consists of primarily 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 0.24671 kgCO2/kWh.

TOTAL GHG EMISSIONS, EXCLUDING EMISSIONS FROM CAPEX (IN TCO2E)



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.

Transportation

Nel engages freight forwarders to arrange transportation of goods. Nel prioritizes rail and shipping transportation types due to lower CO2 emissions. Currently, Nel has limited intercontinental shipping of goods given that most goods were transported inside the European Union and the United States.

Capital goods

Nel accounts for the CO2 emissions from factory expansion by applying an average emission factor for each nominal capital expenditure. The CO2 conversion in Wallingford, United States was measured at 0.245 kgCO2/USD and 0.028 kgCO2/NOK in Norway and Denmark.

Nel expects to have seasonal peaks of emissions from acquisition or construction of capital goods as a result of the workings for expansion of production capacity to meet the forecast for market demand before 2030.

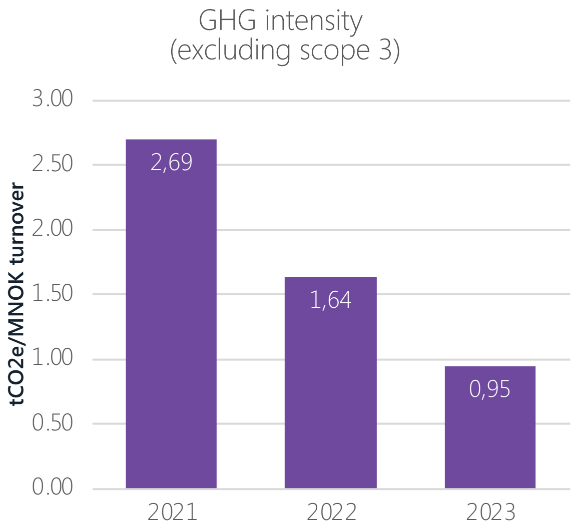
Use of sold products

Energy consumption

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 plan to produce from renewable energy sources to reduce the carbon footprint from operations. Nel has in the scope 3 reporting assumed zero emissions from use of sold products.

GHG intensity

GHG intensity is presented excluding scope 3 as the complete scope 3 has not yet been finally determined. The GHG intensity has decreased in 2023 compared to prior years as a result of increased revenue in the group from particularly the increased production in Norway. Norway has low GHG emission, below the group's average. For GHG intensity, Nel calculates its turnover as the sum of revenue from customer contracts and other operating income as applied to its Income Statements in accordance with IFRS 15.

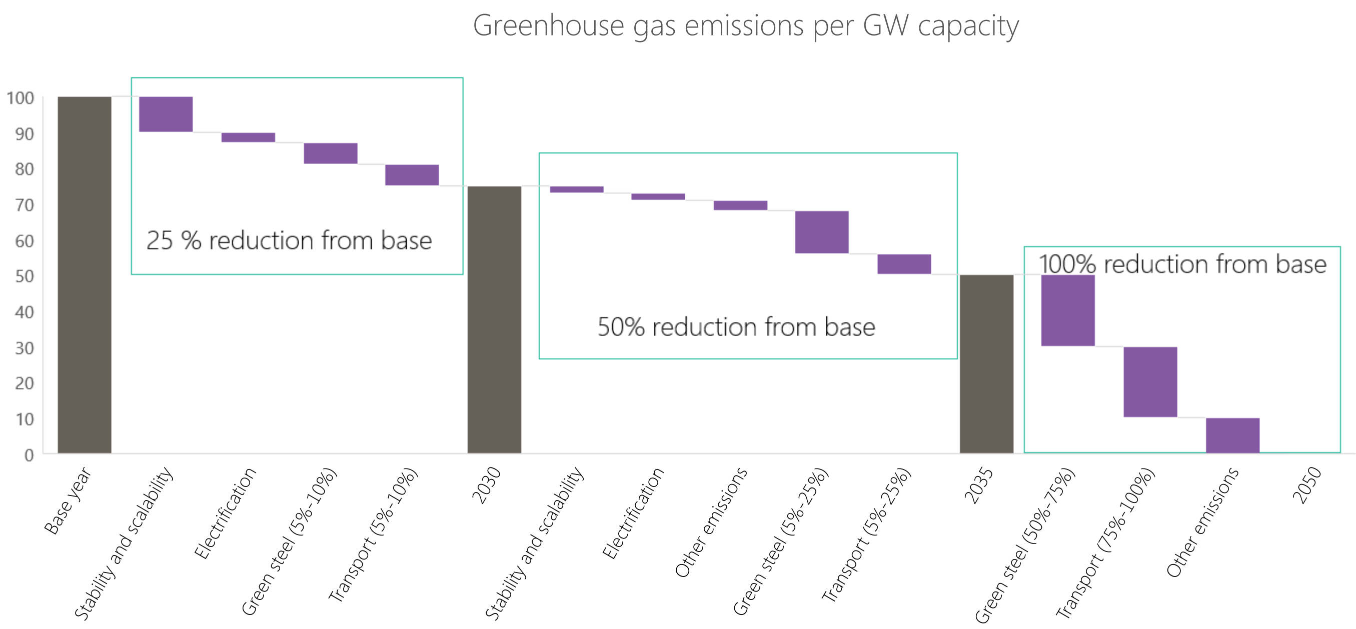


Our products and projects are enablers of the energy transition in hard-to-abate industries. Nel has not implemented internal carbon prices in its decision-making process as everything we do aims to enable successful offtake of renewable energy for the production of hydrogen.

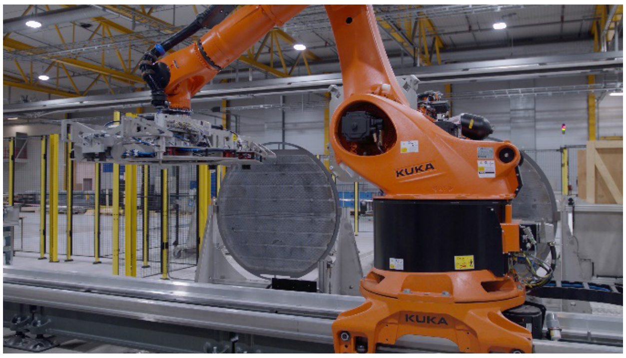
NET ZERO 2050 - GHG TRAJECTORY

The outlook for scope 1-3 in Nel includes several forward-looking data points with significant estimation 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 are 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 approved by the Board includes 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 through 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 and blast furnace). It is therefore expected that a certain volume of this type of steel 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. Our net zero commitment does not forecast the use of carbon offset schemes.



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. In 2024, Nel plans to conclude the factory expansions of Wallingford, United States and Herøya, Norway. These capacity expansions were designed with fully automated manufacturing processes to enable efficient and scalable production of electrolysers.

The environmental footprint of a product throughout its lifetime, factoring the hydrogen output and production costs, is markedly reduced by utilizing hydrogen solutions compared to traditional energy sources. Electrolysers can produce hydrogen without release direct GHG emissions. This does not mean that the production of our applications is entirely carbon neutral as CO2 is emitted with manufacturing of equipment and its transportation.

Nel is certified on ISO 9001 and ISO 14001 in the Alkaline business unit for the scope of Technology R&D, Product Development, Procurement, Inbound and Outbound Logistics, Manufacturing, Sales, Delivery Projects, Installation, Commissioning and Servicing of Atmospheric Alkaline Hydrogen water electrolysers and Hydrogen Plant system solutions.

Nel is certified on ISO 9001 and ISO 14001 in the PEM business unit for the scope of Design, Manufacture and Servicing of Proton Exchange Membrane Electrolysis Systems.

RESILIENCE IN ELECTROLYSER MANUFACTURING FACILITIES

In 2023, Nel announced Plymouth Charter Township, a suburb of Detroit, Michigan as the selected site for a factory of Alkaline and PEM electrolysers with up to 4GW in production capacity. The government of Michigan secured to Nel more than USD 50 million in tax credits and cash support, with ongoing negotiations to expand the government grants to up to USD 125 million. The construction of the production facility in Michigan is in pre-FEED phase and requires final investment decision. Nel reaffirms its commitment to build robust manufacturing facilities with fully automatized production concept, located close to highly skilled technology personnel, with capacity aligned to the market, and close to the customers allow for shorter transportation.

In addition, the workings for capacity expansion in Herøya, Norway to 1 GW and Wallingford, United States to 500 MW have been following the planned schedule with conclusion expected in 2024. These expansions are important steps in preparation for large-order intakes and represent the first industrial-scale production of the most efficient electrolysers on the market, at a significantly lower production cost.

Sustainability in electrolyser production metrics and future targets:

KPI	2022	2023	2025 TARGET	2030 TARGET
Electrolyser production, Alkaline				
Stack yield	>90%	99%	>99%	>99%
Overall equipment effectiveness	70%	67%	>80%	>85%
Electrolyser production, PEM				
Stack yield	95%	94%	>98%	>98%
Overall equipment effectiveness	85%	91%	>90%	>90%

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.

Social

ORGANISATION AND OCCUPATIONAL HEALTH AND SAFETY

At Nel, Organisation and Occupational Health and Safety is a top priority. Nel focus on safety is integrated in the company-wide culture program to foster a zero-tolerance attitude towards Quality, Health, Safety and Environment ("QHSE") incidents. In 2023, the human resources and operations departments implemented safety trainings to all employees and an employee communication program focused on safety risk awareness and basic safety knowledge of hydrogen risks. The training sections have been mandatorily attended by all employees in Nel and covered from basic safety principles to operational knowledge of hydrogen storage and leakage risks. The safety communication program included presentations of safety awareness moments on townhall meetings, safety workshops at operational facilities, implementation of reminders for safety awareness on the employee's workstation, and thorough review of reported incidents for implementation of preventive actions. In addition, Nel included targets for personnel safety in the Short-Term Incentive scheme of employees qualifiable to a financial bonus in 2024. The KPIs allocated to the Short-Term Incentive scheme of COO and CEO are expected to be cascaded down to the workforce involved with prevention of incidents.

Nel production facilities have dedicated QHSE resources reporting to the VP of Operations about safety incidents, preventive safety actions and implemented responses to incidents occurred in accordance with Nel's procedure for incident handling. Nel requires that all employees and contractors in the production sites receive appropriate safety training and equipment. In addition, Nel imposes restrict access to hazardous areas such as areas with handling of harmful chemicals.

Nel's Alkaline business unit is ISO 45001 certified within the scope of Technology R&D, Product Development, Procurement, Inbound and Outbound Logistics, Manufacturing, Sales, Delivery Projects, Installation, Commissioning and Servicing of Atmospheric Alkaline Hydrogen water electrolysers and Hydrogen Plant system solutions.

Nel's PEM business unit is ISO 45001 within the scope of Design, Manufacture and Servicing of Proton Exchange Membrane Electrolysis Systems.

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. Forster the "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 oganization
4. Training and evaluation of the organization and system effectiveness

Organisation and Occupational Health and Safety targets for 2024:

- Reduction of LTIR rate to 5.2
- Reduction of TRIR rate to 10.2
- 100% completion of obligatory safety training
- Four Safety Observation Tours to be completed per production facility
- Average 3 reports of near misses improvements or hazardous reported per employee (linked to Short Term Incentive bonus for all employees - more details can be found in Nel's remuneration report on Nel's website at its governance page)

Key Performance Indicators related to Health and Safety

KEY PERFORMANCE INDICATORS	UNIT OF MEASUREMENT	31 DECEMBER 2023	KPI TARGET FOR 2024
Percentage of employees covered by Nel's health and safe systems	%	100%	100%
Total recordable injuries rate (TRIR)	TRI per 1,000,000 hours worked	19.7	<10.2
Lost time injury rate (LTIR)	LTI per 1,000,000 hours worked	11.2	<5.2
H1 – injury-related absence from work	Recordable events in the last 12 months	12	-
H2 – recordable injury events	Recordable events in the last 12 months	21	-
Fatality rate	Recordable events in the last 12 months	None	None

PRODUCT SAFETY

Safety is the number one priority in Nel. Management and all employees are strongly committed to the company's promise of delivering fail-safe products to the 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.

Nel's product safety program is designed at product and system levels following a Failure Mode, Effects & Criticality Analysis ("FMECA") approach for risk assessment at product level, and a Hazard and Operability Analysis ("HAZOP") at system level. The QHSE departments of each business unit are responsible for the product safety program, supported by the engineering department for correction of product development. The owners of product safety programs (QHSE directors) are the primary resources involved to investigate product defects and implement corrective measures where applicable reporting to the VP of Operations. In addition, a QHSE committee that works across the organizations and consists of participants from each legal entity, as well as the corporate function, ensures collaborative learning and implementation of best practices to prevent incident. Where applicable, safety requirements include third-party product certification for design and manufacturing. Third-party experts are involved as subject matter experts when applicable. External consultants are involved on regular tests for emergency response. In case applicable, the Board of Directors review the remediation plan for product safety incidents involving leakage of hydrogen with explosions or fatalities and/or material cost impact.

In 2023, our employees participated in product safety trainings for basic knowledge of hydrogen risks, common pitfalls on handling and storage of hydrogen, and best practice to avoid incidents in the production and storage of hydrogen. As mentioned in the section "Sustainability in Electrolyser Production", the R&D department works on product designs and safety applications to reduce the product safety risks such as explosion or hydrogen leakage. During 2024, Nel will continue the collaboration between R&D and QHSE departments to increase the product safety program with implementation of even more rigorous methodologies, e.g., a review system where specific areas will be assessed to identify areas of improvements.

Nel is certified at product level with ISO 22734:2019 - hydrogen generators using water electrolysis for PEM electrolysers of M-Series.

Product safety targets for 2024:

- 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

Upholding a responsible and efficient supply chain is pivotal to our business resilience, sustainability agenda and goals. Nel operates in a complex global footprint, ensuring business resilience and at same time meeting the highest standards of business integrity and human rights pose challenges to our value chain and business partners.

During the reporting period, approximately NOK 1.9 billion were spent across 40 countries in 5 continents. Despite the complex global presence, Nel concentrates its supply chain near to its production facilities or within the European Union where business governance and human rights practices are well developed and widely implemented. The continued effort for transparency and resilience is done in conjunction with reinforcing ties with existing partners. Suppliers that comply to human rights frameworks are fundamental to cultivate a resilient long-term relationship.

In 2024, our supply chain department will continue the preparedness working anticipating the expected business growth in the coming years.

Our approach

Nel expects that any business relationship with internal or external partners are conducted with the highest standards of business integrity. The pre-qualification of vendors is performed with an integrity due diligence ("IDD") check and the review of a self-assessment prepared by our vendors.

Nel also thrives for clear expectations with our business partners. Transparency is an important step when setting the minimal compliance requirements expected in our business relationship. Nel's supply chain has in place an awareness program to distribute Nel's code of conduct and Nel's human right policy to business partners, also having these policies available on our website. In addition, a supplier quality, health and safety & environmental manual is distributed with guidance on these areas to applicable vendors.

In 2023, a Supplier Declaration formalizing the minimal requirements for human rights, business integrity, compliance with laws and regulations and health and safety have been requested from vendors with substantial business activities during the reporting period. The supplier declaration is expected to cascade to business partners a formal requirement of lowest acceptable level of compliance in critical business areas.

Ongoing monitoring

Our Supplier Audit Program inspects business relationship established with strategic suppliers on critical aspects of businesses such as human rights, business integrity, health and safety, quality management system, and operational related matters. The Supplier Audit Program is managed with a risk-based approach of which vendors have been classified in a categorization matrix that evaluates Nel's business dependency to the supplier, the required effort to replace a vendor and any eventual compliance risks as a consequence of breaches to laws and regulations or non-compliance with human right frameworks.

In 2023, Nel's Supply Chain department audited 23 suppliers out of 215 suppliers classified with strategic importance to Nel's value chain. The Supplier Audit Program covered 16.8% of the expenditure incurred 2023. The supply chain department aims to increase the target to 30 supply audits of strategic suppliers in 2024.

TRANSPARENCY ACT

General Supply Chain Risk Assessment of Nel's Supply Chain

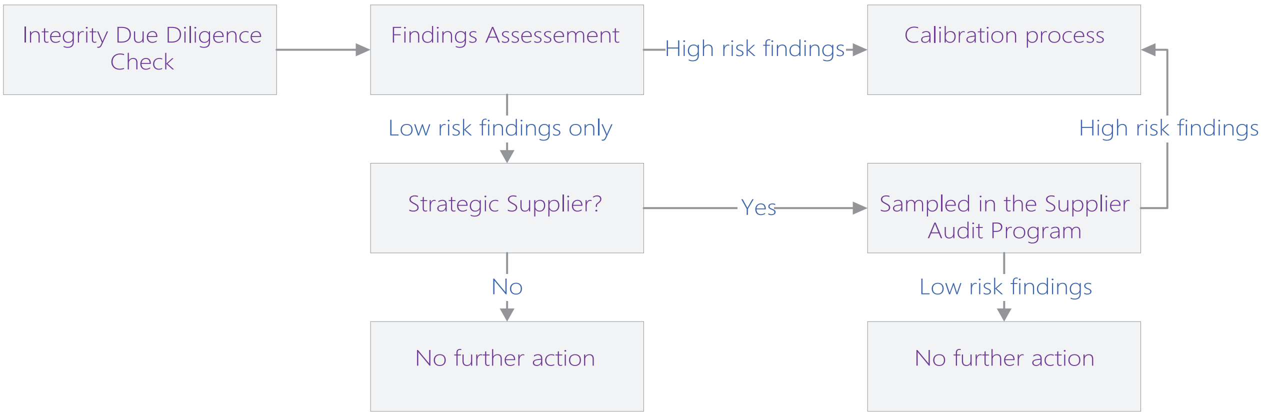
According to the Norwegian Transparency Act which entered into force July 1st, 2022, Nel has a duty to carry out a due diligence assessments related to fundamental human rights and decent working conditions in its own businesses and supply chains. In response, Nel has implemented in 2022 a thorough due diligence assessment implementing a prequalification procedure before entering a contractual relationship with new suppliers. This prequalification procedure comes in addition to an integrity due diligence ("IDD") check Nel conducts on all suppliers (and all other parties it contracts with). The IDD procedure is mandatory in Nel for any contractual relationship and red flags are handled in collaboration between supply chain and compliance departments. In severe cases, the procurement process may be stopped, and the supplier disqualified from being part of Nel's supply chain. If the procurement process is not stopped as a result of the finding, adequate measure will be put in place to prevent, monitor and/or mitigate the risk.

In 2023, a Supplier Declaration has been developed and implemented in the procurement process. The Supplier Declaration formalizes the minimum requirements we expect and demand all suppliers in our value chain to meet, including respect for fundamental human rights. The Supplier Declaration establishes specific contractual obligations between Nel and the supplier within the area of compliance. These obligations come in addition to obligations in Nel's supply chain contracts.

General Supply Chain Risk Assessment of Nel's Supply Chain

The supply chain department manages the Supply Chain Due Diligence procedure with support from the Compliance department. The supply chain department acts under the CEO mandate given to the CPO ("Chief Project Officer").

Nel has adopted a risk-based approach when it performs the due diligence of its value chain as required by the Transparency Act. The supply chain department performs a risk assessment to evaluate our business dependency on the suppliers and our ability to find suitable alternative suppliers. After initial due diligence of suppliers, they are classified as non-critical, bottleneck, leverage or strategic. When a supplier with high risk of non-compliance is identified, the Supply Chain department performs a thorough supply audit program including steps to assess Corporate Social Responsibility. A calibration process will be agreed for suppliers with high-risk findings, however no high-risk finding have been identified in 2023.

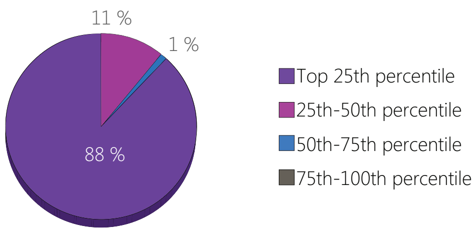


The due diligence is performed independently by each business unit. We have assessed country risk in the supply chain of each business unit and overall, across all business units and the result of this assessment is shown in the diagrams below. For the purpose of the diagrams, we allocated the supplier expenditure by country of incorporation of the vendor and classified the total expenditure per country in accordance with the Corruption Perception Index ("CPI") (diagrams are based on supply chain information from 2023):

Alkaline electrolysers:

- 75-100 88%
- 50-75 11%
- 25-50 1%
- 0-25 0%

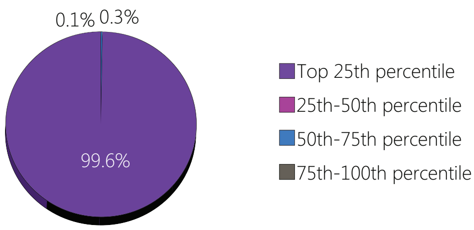
Supplier Expenditure – Alkaline Division



PEM electrolysers:

- 75-100 99.6%
- 50-75 0.1%
- 25-50 0.3%
- 0-25 0%

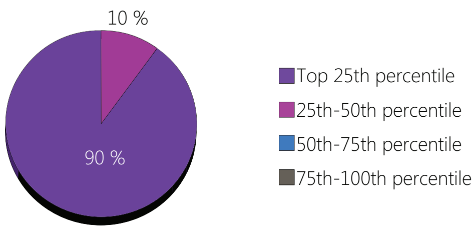
Supplier Expenditure - Proton Membrane Division



Fueling:

- 75-100 90%
- 50-75 9.99%
- 25-50 0.01%
- 0-25 0%

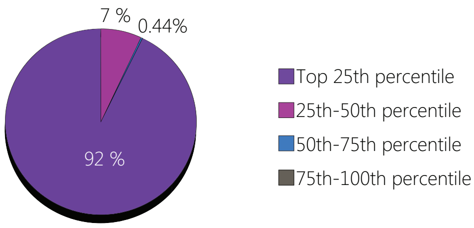
Supplier Expenditure – Fueling Division



Overall (across all three business units):

- 75-100 92.2%
- 50-75 7.37%
- 25-50 0.43%
- 0-25 0%

Supply Chain Overall



The figures above show that overall Nel predominantly has suppliers from low-risk jurisdictions. 99.57% of Nel's suppliers are within the top two intervals (92.2% and 7.37% respectively), and there are no suppliers in the bottom interval. 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 to be low.

Top 5 country expenditure in 2023:

COUNTRY OF SUPPLIERS INCORPORATION	%	CORRUPTION PERCEPTION INDEX ("CPI")	HUMAN DEVELOPMENT INDEX ("HDI")
Norway	26%	84	Sporadic violation findings
United States	23%	69	Systematic violation findings
Sweden	17%	83	Sporadic violation findings
Denmark	11%	90	Sporadic violation findings
Germany	11%	79	Sporadic violation findings
Top 5 representation	88%	-	-

Labour rights

Some of Nel's strategic suppliers operate in countries classified with systematic violations or regular violations of labour rights in accordance with the International Trade Union Confederation ("ITUC"). Employees in our value chain working in these specific countries have a higher risk to be employed in companies that do not comply with the minimal requirements required in Nel's Human Rights policy for employment security and reasonable working hours. Nel monitors its value chain with site visits to strategic suppliers and educate its value chain with policies and supplier declaration available on Nel's website.

Conflict minerals

Nel's Alkaline electrolysers contain steel and nickel, the PEM electrolyser contain steel, aluminium, nickel, copper, platinum, titanium and iridium, and the Fueling stations contain steel and cooper. Although none of these minerals are on the European Union list of conflict minerals, Nel understands that the value chain of mineral and steel suppliers has particular complexity due to a complex cross border process of production and transportation of minerals to Europe and United States. These suppliers are continuously monitored by our Integrity Due Diligence checks.

Overall assessment

No case of violation to Labour Rights, Code of Conduct or Nel's Human Rights policy have been identified in 2023.

General Supply Chain Risk assessment for own operations

Nel operates in the United States, Denmark, and Norway. Norway and Denmark have historically been assessed with lowest risk for best practice resulting in inherent low risk for Human Rights or Corruption. The United States has also been assessed at low risk, placed in the 24th position of Corruption Perception Index ("CPI") and 20th position in the HDI ("Human Development Index"). During our review of internal risks that could affect Nel business and its value chain, we have identified opportunities of improvement for reduction of frequency of safety incidents at workplace and implementation of a policy for diversity, equality and inclusion.

Safety at workplace

Nel's operations have an inherent health and safety risk of safety incidents mainly caused by handling of chemicals, weight handling or working at height. Instances of safety incidents are managed by the safety committee and local QHSE departments and tracked in the LTIF (Lost-time Incidents Frequency) and TRIF (Total Recordable Injuries Frequency). Safety is our number one priority, and this is reflected in our culture, training programs, and monitored by the Nel's safety program. The safety responses implemented to address the risks and opportunities related to safety at workplace was described in the section "Organisation and Occupational Health and Safety".

Diversity, equality and inclusion

Nel has a diverse workforce strengthened by the knowledge and experience from different working backgrounds, cultures, beliefs, and races. Nel acknowledges the importance of a culture that foster Diversity and Integrity providing equal opportunity regardless of gender, culture background or race.

In response, Nel publicly commits in its job advertisements to be an equal opportunity employer. The Human Resources department is involved on the hiring process advising hiring managers and ensuring that candidates are equally treated in all steps of the recruitment process. In 2024, Nel will implement a global diversity, equality and inclusion policy in accordance with the conventions of the International Labour Organization consolidating the minimal procedures expected from the local human resource departments.

Duty to provide information

Nel has available a external whistleblowing channel and contact details in the Ethics and Compliance section of our website where concerns related to our value chain can be submitted anonymously for investigation. No report was received in 2023.

Key performance indicators for responsible supply chain:

KEY PERFORMANCE INDICATOR	UNIT OF MEASUREMENT	31 DECEMBER 2023	KPI TARGET FOR 2024
Supplier audits concluded within the fiscal year	Supplier audits completed during the reporting period	23	30
Total strategic suppliers	Number of strategic suppliers	215	-
Total expenditure covered by supplier audits	%	16%	-
Site visits during supplier audit program	Reportable event	23	-
Number of suppliers not renewed due to breaches to compliance policy	Number of contracts not renewed due to breaches of compliance	None	-
Integrity Due Diligences ("IDD") performed in suppliers with active contracts	IDD performed	99.8%	100% of active suppliers shall have IDDs performed in 2024.
Total suppliers with active contracts	Suppliers with active expenditure during 2023	1,430	-

Cyber Security

Cyber security threats have continuously increased in scale and sophistication in recent years. Nel's global footprint exposes our business to cyber-attacks from a variety of cyber threat actors including nation states, criminals, terrorists, hacktivists, and insiders.

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. A cyber breach could result in private or confidential data leakage, loss of intellectual property and temporarily disruption or safety incidents on the operation.

All of Nel's critical cloud suppliers have the required certifications and have been selected after a thorough supplier due diligence process. There were no reported breaches of customers' privacy in 2023, nor were there any reported cases of identified leaks, thefts, or loss of customer data. In 2024, Nel will implement policies and procedures aligned to the requirements of NIST SP 800-53 for selected products.

Risk management

Nel has a centralized IT department that manages Cyber Security risks and ensure a reliable and resilient IT infrastructure across the group. In 2023, Nel onboarded a Head of Global IT reporting to the group CFO with the mandate to consolidate the IT policies in the group. A global IT department will establish efficient responses to incidents, strength controls and procedures for management of data security and implement IT policies based on ISO 27001. Among the enhanced security measures implemented in 2023, Nel is implementing a global policy for IT Incident Response and Business Continuity. During 2024, a global team of IT security experts will be onboarded including a security architect and an OT specialist, to strengthen the posture and supporting best practices for Cyber Security, including implementation of Cyber Security KPIs.

Culture and training

Nel continuously invest on cybersecurity training and awareness to employees with an annual wheel of cybersecurity training and vulnerability checks through phishing campaigns. Nel fosters a culture of cybersecurity awareness in communication campaigns in townhall meetings and IT security moments shared on the intranet. Nel considers prevention as the most efficient approach.

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.

Human Capital

The workforce is the most valuable resource in Nel. The highly skilled characteristic of our workforce makes employment retention and well-being at workplace critical dependencies to our operations. On the other hand, large opportunities are seen to attract high skilled personnel to renewable hydrogen industry from industries operating in fossil fuel sectors during the climate transition. The global human resource department is committed with the highest HR standards for talent attraction and retention, and well-being at workplace.

During 2023, our talent retention was tested in a competitive labour market in the United States and Europe, recording the lowest employment rates in the last two decade. The reduction in the turnover rate from 20% to 13.7% demonstrate positive impact from our HR policies implemented in recent years. For 2024, Nel's HR aims to implement a feedback calibration process ensuring that employees receive timely feedback during the year, therefore allowing employee development before the annual performance appraisal. All employees in Nel participated of the appraisal process in 2023.

In addition, the employee development program will be strengthened with the design of a competence mapping of Nel's workforce and training on leadership capabilities.

AVERAGE TRAINING HOUR, PER EMPLOYEE	2023
Male	07:20
Female	07:20

In Nel, we prioritize an active two-way dialogue with our workforce. The human resource department of each facility engage in active feedback with the employee representatives and organization classes. The proactive engagement allows Nel to better understand the concerns of its workforce and to negotiate balanced resolutions to impacts, risks and opportunities affecting employees. Nel's leadership have open communication with employees through several mechanisms, including town-hall meetings with at least quarterly occurrence. Employees are also encouraged to anonymously report unmanaged concerns in one of the grievance mechanisms available in Nel (whistleblowing channel, ethics hotline, direct report to HR managers or direct report to line manager). The grievance mechanisms are promoted on Nel's intranet, at workspace, commented on mandatory trainings, and townhall meetings. The legal and compliance department addresses the reports received in the whistleblowing channel or ethics hotline, with summary of cases quarterly reported to the Board Audit, Risk and Sustainability Committee ("BARSC"). All whistle-blowers are protected against retaliation under Nel's Ethics Hotline policy.

Nel is an equal opportunity employer and acknowledges the relevance of integrate and represent its diverse workforce. In all job advertised, Nel publicly states its commitment to be an equal employer without discriminate employees due to racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction or social origin, or other forms of discrimination covered by Union regulation and national law. In 2024, Nel plans to implement a policy for Diversity, equality and inclusion in compliance with the conventions of International Labour Organization.

Human Resources targets for 2024:

- To implement a global policy for Diversity, equality and inclusion
- To implement a global employee onboarding process
- To implement engagement index survey for employees to assess the workplace

WELL-BEING AT WORK

In 2023, Nel has continued the development of its NBS ("Nel Business Systems") aiming to unify the employees in different legal entities and operations into a single common culture behaviour. The one Nel culture will promote efficiency gains and improved collaboration between the business divisions, resulting in a more resilient and knowledgeable workforce. For 2024, Nel will implement its global onboarding program where new hires will be introduced to Nel Business Systems ("NBS"), company strategy and specific challenges and characteristics of each business division. The onboarding program is expected to provide easier integration of new hires promoting better adaptability to our workplace. In addition, an employee survey scoring employee engagement and satisfaction with workplace will be implemented to involve employees in the assessment of our workplace.

WORKING HOUR 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 and complying with statutory rights for holiday, parental leave, or any other employee right for work-absence. In addition, Nel has in-place a working hours policy describing the statutory rights for employees, the policy in place for shift work, overtime policy and requirements for passive service in case of emergency issues. Although Nel's workforce is placed in countries with strong labour unions and statutory labour laws, Nel has the ambition to increase steering on the working hours in the coming years with implementation of a working hours systems for improved reporting of work shifts.

Employees are also encouraged to access the employee handbook on Nel's intranet containing a detailed description of internal human resource policies and legislation guidelines regarding employee benefits, expected working hours, labour statutory rights and grievance mechanisms.

TALENT DEVELOPMENT AND RETENTION PROGRAMS

Throughout 2023 Nel has onboarded approximately 215 new employees. Nel's Human Resource strategy is anchored on talent attraction and retention. Among the actions for talent attraction, Nel has implemented partnerships with well-known universities, attended career fairs and events in relevant institutions targeting a higher outreach of apprentices. In 2023, Nel has implemented a formal internship program with a structured learning experience program, including the allocation of a dedicated mentor with relevant expertise on the subject covered during the internship.

For talent retention, Nel fully implemented a common HR-system in 2022, optimising the HR processes and allowing increased learning and comparison of results. In 2023, the common HR-system has supported the performance evaluation process, where targets were cascaded from the department team-leader to its team members. Employees were also encouraged by team leaders to contribute with the definition of some targets describing areas of self-development and career goals. The performance evaluation program requires interim feedback ensuring both talent development and corrective actions in appropriate time. In Nel, managers have the mandate to monitor 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 been assigned to specific external learning sessions.

In addition, the Human Resource department has delivered behavioural trainings with dilemma situations to further develop managers in their daily challenges to develop and steer their team members.

Absolute number and rate of employment

Permanent and temporary employees, by region and gender

PERMANENT EMPLOYEES, BY REGION AND GENDER				FEMALE (%)	
	FEMALE	MALE	TOTAL	2023	2022
Norway	56	209	265	21.1%	19.0%
United States	45	147	192	23.4%	21.0%
Denmark	32	147	179	17.9%	17.0%
Others	3	23	26	11.5%	12.0%
Total	136	526	662*	20.5%	12.0%

Permanent employees: Employees under work contracts that are renewed before a notice of termination.
Temporary employees: Employees with fixed-term work contracts.

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

TEMPORARY EMPLOYEES, BY REGION AND GENDER	FEMALE	MALE	TOTAL	FEMALE (%) 2023
Norway	4	5	9	44.4%
United States	0	1	1	0.0%
Denmark	4	6	10	40.0%
Others	0	0	0	0.0%
Total	8	12	20	40.0%

Permanent employees: Employees under work contracts that are renewed before a notice of termination.
Temporary employees: Employees with fixed-term work contracts.

*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%. Women in the Board of Directors is 3, or 42.9%.

Gender pay gap

MALE-FEMALE PAY GAP	PERMANENT	TEMPORARY
Norway	15%	-142.0%
United States	19%	-
Denmark	7%	53.0%

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. The high discrepancy on temporary employees is caused by the small population of temporary employees resulting in disproportional comparison of salaries of senior and junior positions.

	2023
Pay gap to highest paid individual and the average remuneration for permanent employees (excluding highest paid individual)	439%

Nel's remuneration policy was approved by the General Meeting 15th of April 2021. Refer to remuneration report 2023 which describes how the policy has been applied during 2023.

Employee turnover and new employee hire

Diversity focus including gender balance is included in our recruitment and sourcing activities.

TURNOVER RATES	PERMANENT	TEMPORARY
Employee turnover rate	13.7%	160.0%**
Voluntarily turnover rate	11.3%	126.7%**

** Nel has a small headcount of temporary employees with contract duration shorter than 12 months. The small population and the preference for short term contracts are the main contributor to the high percentages identified in the report.

Change in employee headcount by gender	FEMALE	MALE	2023
Total headcount	136	526	662*
Opening count 2023	112	488	600
Rate of change	18%	7%	9%

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

AGE DISTRIBUTION OF WORKFORCE

PERMANENT EMPLOYEES, AGE GROUP	<31	31-49	50+
31.12.2023	109	363	191
01.01.2023	113	314	176
Age group % of change	-4%	16%	9%

TEMPORARY EMPLOYEES, AGE GROUP	<31	31-49	50+
31.12.2023	12	4	5

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 parent leave	33	6
Took parental leave	32	6
Percentage of entitled employees that took parental leave		
Returned to work after parental leave ended	32	3
Still employed 12 months after their return from parental leave	*	*

98% of employees entitled to parental leave took parental leave, one outstanding employee is due to parental leave in 2024.

* It has not been possible to report on "still employed 12 months after their return from parental leave" in 2023 as 12 months has not passed as of 31 December 2023.

SICK LEAVE

SICK LEAVE COVERAGE	PERMANENT	TEMPORARY
Sick-leave rate	2.38%	0.18%
Sick-leave days paid out to employees	96%	100%
Coverage of employees	100%	100%

COLLECTIVE BARGAINING AGREEMENTS

	2023	2022
Norway	86%	24%
Denmark	32%	34%
USA	0%	0%
Other	0%	0%

Nel operates in countries with strong social development, competitive labour markets and available benefits for social protection in case of temporary unemployment, sick leave, or illness. Nel holds a group policy to financially support employees in case of major life incidents including covering for medical disability, occupational disability, or death.

PERMANENT AND TEMPORARY POSITIONS

HEADCOUNT	2023
Permanent	669
Temporary work contracts	21
Non-guaranteed hours	70

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 2023, 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 requirement that all Nel's activities should be conducted in an ethical and sustainable manner.

During 2023, the compliance department has collaborated closely with the supply chain department and continued its work to adopt and implement the requirements stemming from the Transparency Act. As part of this effort a Supplier Declaration form was released and implemented in the fourth quarter of 2023. The Supplier Declaration formalizes the minimal requirements for Human Rights, Business Integrity, Compliance with Laws and Regulations and Health and Safety and have been requested from vendors with substantial business activities during the reporting period. The Supplier Declaration is expected to cascade to business partners a formal requirement of lowest acceptable level of compliance in critical business areas.

According to Nel's Third-Party Management and Integrity Due Diligence Procedure ("Third Party Procedure") all third parties Nel does business with shall be subject to an integrity due diligence ("IDD"). Nel has conducted an audit to ascertain the organisations compliance with the Third-Party Procedure in 2023. The result of the audit shows that overall, across all divisions and at the corporate level, the Third-Party Procedure is followed in 99.8% of dealings with third parties. Nel will continue to focus on this throughout 2024.

Training of employees is crucial for an effective compliance program, and in Nel we conduct our compliance training in accordance with an Annual Compliance Wheel. The Annual Compliance Wheel provides a yearly compliance training program for the BOD and all employees, and the number of courses and type of training will differ depending on the role the employee has in Nel. Compliance e-learning courses are supplemented by face-to-face training conducted by Group Legal and Compliance. The compliance training covers topics such as anti-bribery and corruption, sexual harassment, economic sanctions, competition law and introduction to data protection and privacy. All compliance training is mandatory and closely monitored and a failure to complete compliance training will result in a reduction in the employee's variable compensation. For 2023 compliance with the training program can be summarized as follows:

- 94% of the employees have completed training in accordance with the Annual Compliance Wheel. This is an increase of 1% from 2022.
- 93% of Nel's executive management and Board of Directors have completed the training in accordance with Annual Compliance Wheel. This is an improvement from 2022 where the executive management and the BoD combined for an 82% completion percentage.

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. The vast majority of reports are received from within the organisation, however, the fact that we have also received reports from outside the organization documents that there is awareness of the whistleblowing channel also with external stakeholders.

During 2023 there have been 7 cases reported through the whistleblower channel. This is significant reduction compared to 2022 where 15 cases were reported. Nel believes the reduction in part can be ascribed to specific initiatives in 2023 which were targeted to improve the work environment in Nel. An example of this is a customized behavioural training program which was launched during the first quarter of 2023.

The reports received in 2023 can be categorized as follows::

- Human Resources, 4 cases
- Harassment, 1 cases
- Financial, 1 case, and
- Other, 1 case

Of the 7 notifications received in 2023, all have been resolved. Some of the cases that have involved specific individuals have resulted in disciplinary sanctions and also dismissals in the most severe cases.

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.

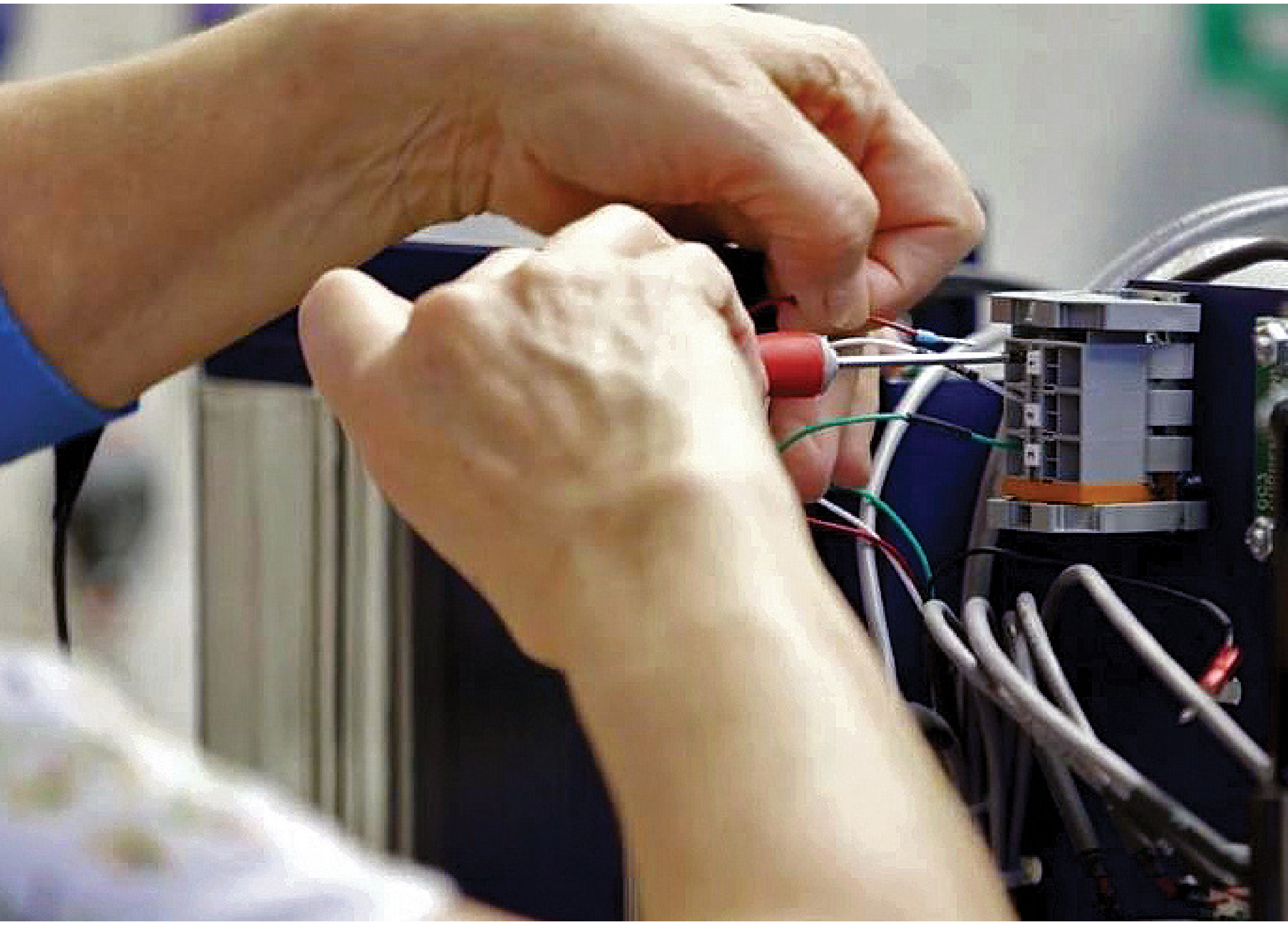
Compliance targets for 2024:

- 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 2024.
- Complete and roll out Code of Conduct behavioural training during first quarter 2024.

Key performance indicators related to Governance:

KEY PERFORMANCE INDICATOR	UNIT OF MEASUREMENT	31 DECEMBER 2023	KPI TARGET FOR 2024
Ethical business conduct and compliance			
Compliance annual wheel of training:			
Compliance training ("Board of Directors and Management")	%	93%	100%
Compliance training ("Nel's employees")	%	94%	100%
Total amount spent in fines for damages as a result of violations regarding social and human rights factors	NOK	0	0
Expenditure with lobby and donation to political parties	NOK	0	0
Whistleblower channel			
Total number of reported concerns – YTD		7	Not applicable
Of which related to business ethics and corruption	Reportable event - per incident	None	-
Of which related to discrimination	Reportable event - per incident	None	-
Others	Reportable event - per incident	1	-
Investigations and inquires initiated by compli-ance team in the reporting year	Reportable event - per incident	7	-
Cases open at beginning of reporting period	Reportable event under investigation	None	-

KEY PERFORMANCE INDICATOR	UNIT OF MEASUREMENT	31 DECEMBER 2023	KPI TARGET FOR 2024
Cases open at end of reporting period	Reportable event with investigation concluded	None	-
Payment practice			
Confirmed incidents of corruption or bribery	Reportable event - per incident	None	Not applicable
Number of contracts terminated due to confirmed	Reportable event - per contract	None	-
Average payment term agreed with suppliers	Standard contract term	30-60days	-
Board composition			
Non-executive board members	Board member	7	-
Executive board members	Board member	None	-
Gender diversity (female board members)	Female board members (%)	43%	-



INNOVATION AND TECHNOLOGY

FINANCIAL INVESTMENT CONTRIBUTION (NOK million)

		FUELING	AWE	PEM	GROUP
2023	Research and maintenance	58	76	76	210
	Capitalised technology	35	76	55	166
	Total R&D spend (NOK millions)	93	152	131	376
	R&D spend in % of annual revenue and other income	27%	17%	24%	21%
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%

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 several 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.

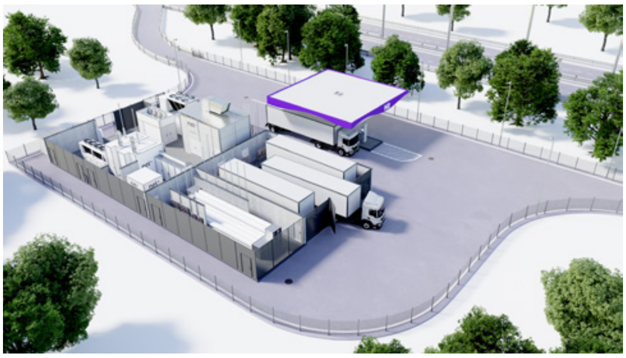
ELECTROLYSER

The Research and Development ("R&D") team is the steward of the product portfolio working to implement an eco-design and the highest technology and safety standards. Electrolysers can have increased acceptance in the climate transition if achieving optimal utilization of physical space, and reduced complexity on commission and transportation of equipment. In the Electrolyser segment, Nel announced in the presentation of third quarter results of 2023 the development of a pressurized alkaline technology with potential to unlock improvements to critical indicators of stack cost and efficiency and simplified design. In the Proton Membrane division, the partnership with General Motors have been a contributor to develop a new cell stacks series with improvements on production efficiency, equipment durability and consequential reduction of Levelized Cost of Hydrogen ("LCOH") . The partnership was designed with a series of seven milestones of which two of them were achieved in 2023.

FUELING

Nel has seen an increased interest from potential customers and policymakers on use of hydrogen for fueling of heavy duties. Renewable hydrogen can enable heavy-duty-vehicles to conduct long-haul activities with a short fuelling time, and significantly reduced emissions. During the next years, the R&D department of our Fueling division will focus on the development of a heavy-duty concept that will consolidate the learnings from years of development of fueling stations for light-duties and an efficient and safe approach for pressurized heavy-duty vehicles.

In parallel, Nel continues to prioritize developments that will improve safety and reliability for light-duty vehicles.



Innovation and technology targets for 2024:

- 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 2024.

EU Taxonomy

SUBSTANTIAL CONTRIBUTION TO CLIMATE MITIGATION

The EU Taxonomy is the cornerstone of EU's sustainable finance framework and an important market transparency tool to channel capital towards climate-friendly investments. The Norwegian Parliament resolved to include the EU Taxonomy Regulation in the EEA Agreement on 29 April 2022. The Norwegian government established the regulation as part of Norwegian law as of 1 January 2023, requires mandatory reporting for the reporting period of 2023. That said, Nel conducted a thorough assessment of revenue, operational expenditure and capital expenditure to identify the percentage of its operations aligned (contributing) to the EU Taxonomy goals and complying with the EU Taxonomy safeguards. For 2023, Nel decided to disclosure its eligibility to the EU Taxonomy before assurance from third party specialists.

The EU Taxonomy is organized by economic activities where revenue, operational expenditure and capital expenditure are assessed if Taxonomy-aligned, Taxonomy-eligible, or not eligible. The pivotal criteria to qualify the revenue stream is to have substantial contribution in at least one of the six environmental objectives listed in the Taxonomy without cause significant harm to the criteria not addressed. Moreover, the Taxonomy has safeguards related to human rights, ,tax policy, corruption and fair competition.

Nel manufacture electrolysers for hydrogen production and hydrogen fueling stations for hydrogen distribution, which both equipment are classified within EU Taxonomy economic activity 3.2 "Manufacture of equipment for the production and use of hydrogen". To achieve the criteria for this activity type, Nel's equipment must provide technology where the hydrogen for the production of which equipment is manufactured complies with the technical screening criteria[1] resulting in life cycle GHG emissions lower than 3 tCO2e/tH2. Life-cycle emissions is defined in the second act as well-to-gate emissions and emissions from transportation type used for delivery of hydrogen.

Nel's electrolyser equipment produces hydrogen from water electrolysis resulting in nearly zero emissions from the utilization of the equipment and therefore contributing to the substantial lowering of life-cycle emissions to below 3 tCO2e/tH2. The GHG emissions in the production of hydrogen will be mostly linked to the type of energy source used as electricity to operate the hydrogen production plant and eventual CO2 emitted during transportation of final goods (e.g., fuel, chemicals, fertilizers) to end-users. Nel's technology for electrolysers have nearly no GHG emissions for hydrogen production and therefore contributes to climate change adaptation providing equipment that enable hydrogen production without emit CO2 in the production process.

In addition, Nel provides engineering services in form of FEED ("Front-End Engineering Design") and pre-FEED studies assisting customers in the development of Engineering, Procurement and Construction ("EPC") and Balance-of-Plant activities for a complete renewable hydrogen plant. Nel provides FEED studies to projects with installation of Alkaline or PEM electrolysers, or hydrogen fueling stations. These scopes set the boundaries for consulting projects with renewable hydrogen production. Nel concludes that its FEED studies comply with the activity "*9.1. Engineering activities and related technical consultancy dedicated to adaptation to climate change*".

DO NO SIGNIFICANT HARM ("DNSH") ANALYSIS

Climate change adaptation

Nel facilities are in industrial parks with lease term expiring in between 5 to 7 years. Nel does not forecast climate change risks affecting its operation within this timeframe, making possible the reallocation of assets and operations to areas with lower climate risk, or negotiation with building owners to implement climate security measures in accordance with most recent climate forecast for the lease term. Facilities located close to the sea have increased risk of flooding in case the precipitation pattern suffers substantial increase in the coming years. For now, the precipitation forecast does not outcome in major risks of flooding, however, Nel has in place an emergency policy for incident handling in case of an acute climate catastrophe.

Nel did not identify any evidence that could cause significant harm to the climate change adaptation in accordance with the criteria described in the EU Taxonomy.

Sustainable use and protection of water and marine resources

Nel has a Wastewater Treatment policy in place aimed to make the best possible usage of water resources and ensuring that its Wastewater Treatment Plants manage water discharge within unharmful level of contamination in line with local laws and regulations. Nel's Wastewater Treatment policy

1 Technical screening criteria in hydrogen economic activity 3.10: The life cycle GHG emissions savings requirement of 73.4 % [resulting in life-cycle GHG emissions lower than 3 tCO2e/tH2] and of 70% for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94g CO2e/MJ in analogy to the approach set out in Article 25(2) of and Annex V to Directive (EU) 2018/2001 of the European Parliament and of the Council.

is mentioned in the criteria for “pollution prevention and control”. Nel’s QHSE team has a thorough process of water monitoring in place with periodical testing of water samples in laboratorial analysis. In addition, Nel does not have operational facilities in water-stressed regions.

Nel did not identify any evidence that could cause significant harm to the sustainable use and protection of water and marine resources in accordance with the criteria described in the EU Taxonomy.

Transition to a circular economy
Nel’s technologies are developed prioritizing the lifetime of the equipment, as well as applying state of art techniques when applying raw materials and resources onto the manufacturing of equipment. Nel’s electrolyser equipment has a lifetime estimated between 7-10 years. The estimated lifetime is factored in Nel’s Research and Development (“R&D”) process as an important assumption for a net zero benefit to customers and the environment. Nel is constantly working to increase the durability and recyclability of its products.

Nel’s technology department aims to optimize products for highest performance efficiency with reduced consumption of raw materials and minerals, and optimal land utilization. Nel’s products have steel as its primarily raw material which have an active market for recycling. Nel encourages customers to return end-of-life equipment for thorough recycling process and R&D initiatives on the end-of-life cycle supporting a circular economy.

Nel did not identify any evidence that could cause significant harm to the transition to a circular economy in accordance with the criteria described in the EU Taxonomy.

Pollution prevention and control
Nel complies with the environmental laws and regulations in the countries where its facilities are located, working to prevent air, noise, and water pollution where it can affect local communities, partners, or its workforce. Nel’s facilities have local environmental policies for management of water discharge and waste treatment. Nel’s QHSE teams implement thresholds below the requirement imposed by local environmental authorities aimed to preventively identify deviations in water quality prior major catastrophes. Nel’s environmental policies require application of best available techniques to mitigate risks of major disasters in a preventive manner.

Nel understands that the correct workforce to monitor and prevent harmful release of pollutants is an important part of the process to implement the correct environmental policies and procedures. Nel facilities have an appointed QHSE director reporting to the management about the compliance and efficiency of environmental policies. Nel’s Alkaline and PEM divisions are certified with ISO 14001.

Water discharge points have approval from environmental authorities before release. Where relevant, Nel has in place Wastewater Treatment Plants to manage the water quality prior the discharge points. Nel’s environmental assessment did not identify material soil and noise pollution risks, such that could affect local communities or neighbours outside the industrial parks where our factories are located. Where Nel operates chemical baths for production, a policy for air pollution management is in place ensuring an appropriate process for air filtering. Nel workforces must work with safety equipment to protect from loud machinery or hazardous in the workplace.

The waste management process in Nel has in place procedures to log and dispose waste accordingly to the waste type. Local QHSE teams have in place procedures to maximize the recycling of non-hazardous waste. The management of hazardous waste is outsourced with environmental certified partners.

Nel did not identify any evidence that could cause significant harm to the pollution prevention and control in accordance with the criteria described in the EU Taxonomy.

Protection and restoration of biodiversity and ecosystems
Nel’s facilities are in industrial parks selected due to their location outside conservation areas, complying with environmental laws and regulations. Nel does not operate in locations within the red list from the International Union for Conservation of Nature Red List of Threatened Species (“IUCN”) or in natural areas protected by the UNESCO World Heritage list. In addition, the environmental impact assessment performed by the NGI (“Norwegian Geotechnical Institute”) have not identified specific risks to biodiversity and ecosystem in Herøya, Norway. Nel’s factories are in industrial parks preventively located in areas outside of critical biodiversity and ecosystems.

Nel did not identify any evidence that could cause significant harm to the protection and restoration of biodiversity and ecosystems in accordance with the criteria described in the EU Taxonomy.

Minimum safeguards

Human Rights

The Norwegian Transparency Act entered into force in July 2022 to establish and promote enterprises' respect to fundamental human rights and decent working conditions. Nel has in-place a Human Rights Policy reassuring its commitment to the most established Human Rights framework. Nel's supply chain teams, with support from the compliance team, carefully screen suppliers and business partners before engaging in commercial partnerships. Nel's integrity due diligence check is a continuous process aimed to identify risks and implement suitable measures to prevent adverse impacts based on the most established Human Rights frameworks. The complete list of Human Rights framework can be found in the Human Rights policy available in the Ethics and Compliance page of Nel's website.

Nel believes to be compliant with the minimum safeguard for Human.

Corruption

Nel Anti-Bribery and Corruption Policy sets out requirements and responsibilities relating to the prevention of bribery and corruption in Nel's business dealings. Employees and representatives are obliged to follow the strictest anti-bribery and corruption standards when making their business decisions. Nel does not tolerate corruption in any form, and we are committed to conduct our business in an honest and ethical manner in accordance with applicable law. The purpose of our Anti-Bribery and Corruption Policy is to prevent bribery and corruption throughout Nel's business activities, and it applies to all employees and business partners working for or on behalf of Nel. To foster a culture of zero tolerance against bribery and corruption, Nel has in-place an annual wheel of compliance trainings that includes modules to increase awareness and prevention in this area. Nel also have available an ethics hotline and a whistleblowing channel where internal and external stakeholders can anonymously report the cases of concern for investigation.

Nel believes to be compliant with the minimum safeguard for corruption aligned to the EU taxonomy.

Tax

Nel has an international presence delivering projects in Europe, Asia, Africa, and North America. Nel adopts a responsible approach to taxation implementing its Tax Policy in compliance with the local tax regulation and where applicable, aligned with OECD Transfer Pricing guidelines. In the fiscal year that ended 31 December 2023, Nel did not operate in tax heavens nor countries where the domestic legislation is not consistent with the OECD Transfer Pricing guidelines. Moreover, Nel has a centralized tax accounting team implementing tax risk strategies and processes aimed at mitigating the risk of non-compliance with tax legislation of countries where Nel holds employment, revenue, or operations.

Nel believes to be compliant with the minimum safeguard for tax aligned to the EU taxonomy.

Fair Competition

Nel carries out its activities in a manner consistent with all applicable competition laws and regulations, complying with the requirements in the jurisdictions of commercial activity. Nel requires all employees to read and comply with its Code of Conduct which, inter alia, addresses fair competition in such a way to foster in the corporate culture the best behaviour towards business practice. Management prohibits all type of anti-competitive practices, including agreements on prices between competitors, bid rigging/market sharing, or to limit or restrict supply to customers.

Nel believes to be compliant with the minimum safeguard for fair competition aligned to the EU taxonomy.

EU TAXONOMY – ACCOUNTING POLICY

Turnover

EU Taxonomy eligible

Nel is a manufacturer of Fueling Stations for distribution and use of renewable hydrogen and PEM Electrolysers and Alkaline Water Electrolysers (collectively "Electrolysers") for production of renewable hydrogen. The technology of these equipment enables the climate mitigation with supply of renewable hydrogen. This equipment are EU Taxonomy eligible under activity 3.2 (applying technical screening criteria in 3.10) due to its substantial contribution to the climate mitigation of energy-intense industries:

- Manufacture of equipment to produce renewable hydrogen ("Electrolyser equipment")
- Manufacture of equipment for use of renewable hydrogen ("Fueling Station equipment")

Nel provides consulting hours to design the concept of renewable hydrogen projects. The income from engineering consulting hours is covered within EU Taxonomy under activity 9.1 Engineering activities and related technical consultancy dedicated to adaptation to climate change dedicated to adaptation to climate change:

- Engineering consulting hours ("FEED Concept Studies") dedicated for renewable hydrogen

EU Taxonomy non-eligible

Nel provides operational and maintenance services for Hydrogen Fueling Stations. Nel did not identify these activities in the EU Taxonomy, although the services for operation and maintenance of a Hydrogen Fueling Stations could be directly linked to enabling low carbon transition from fossil fuel to fueling of renewable hydrogen. These revenue streams have been classified as non-eligible to the EU Taxonomy due to the fact that we could not identify the economical activities directly listed as an eligible economical activity in the EU Taxonomy:

- Installation and commissioning of Fueling Stations
- Operational & maintenance services for Fueling Stations ("Fueling Station services")

Turnover numerator

The turnover numerator has been determined excluding non-operational activities listed as eligible by the EU Taxonomy. For the reporting period ended as of 31 December 2023, Nel scoped out income from government grants for technology research and development and study papers and insurance compensation totalling NOK 92 million (see additional information at note 2.2 Other Income).

Proportion of turnover from products or services associated with taxonomy-aligned economic activities

	Code(s)	Absolute turnover	Proportion of turnover	SUBSTANTIAL CONTRIBUTION CRITERIA: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	DNSH CRITERIA: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimal safeguards	Taxonomy aligned proportion of turnover	Category (enabling activity)
		NOK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	E
A: TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1 Environmentally sustainable activities (Taxonomy- aligned)																		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-															
A.2 Environmentally sustainable activities (not Taxonomy- aligned)																		
3.2 Manufacture of equipment for production and use of renewable hydrogen		1,496,143,531	89.%	-	100%	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	89%	E
9.1 FEED[1] Concept Studies		71,499,512	4.3%														4.3%	E
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,567,643,043	93.3%															
Total turnover of Taxonomy-eligible activities (A.1 + A.2)		1,567,643,043	93.3%														93.3%	93.3%
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																		
Turnover of Taxonomy non-eligible activities (B)		113,427,148	6.7%															
Total (A+B)		**1,681,070,191**	**100%**															

Capital expenditure (CapEx) and operating expenditure (OpEx)

The EU Taxonomy defines the methods for calculating Taxonomy-aligned proportions (KPIs). By analogy, Nel allocates capital and operating expenditure that can be aligned with EU taxonomy aligned with sales of the activity or represent individual capital expenditure that is not associated with an activity intended to be marketed under the delegated regulation of the EU Taxonomy.

Operating expenditure (OpEx)

The denominator for operating expenditure is determined with nominal value of the IFRS expenses for research and development incurred on development of technologies aligned with the EU Taxonomy, or expenses for building renovation, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment to ensure the continued and effective functioning of such assets. This approach scopes out of the analysis expenditures directly related to the sale of equipment or services and depreciation of assets to avoid double counting of expenses incurred to generate income or from expenditure previously reported within the capital expenditure KPI.

The numerator for operating expenditure includes expenditure related to assets or processes associated with Taxonomy-aligned economic activities, including training and other human resources adaptation needs, and research and development expenditure not capitalizable under the IFRS requirements. Nel does not include in the numerator corporate expenses directly linked to sales of equipment or services, administrative activities, corporate expenses, travelling expenses or meals and entertainment. Although these expenditures have indirect contribution to the development of technologies and income eligible in accordance with the EU Taxonomy, Nel understands that these expenditures may not be allocated to specific assets as the benefits from administrative efforts are seen pervasively in the business.

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA								
	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimal safeguards	Taxonomy aligned proportion of turnover	Category (enabling activities)
		NOK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/ N	Percent	E
A: TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-															
A.2 Environmentally sustainable activities (not Taxonomy- aligned)																		
3.2 Manufacture of equipment for the production and use of hydrogen		305,407,293	40%	-	100%	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	40%	E
9.1 FEED[1] Concept Studies		32,626,069	4%	-	100%	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	4%	E
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		338,033,361	44%														44%	44%
Total OpEx of Taxonomy-eligible activities (A.1 + A.2)		338,033,361	44%														44%	44%
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																		
OpEx of Taxonomy non-eligible activities (B)		430,713,109	56%															
Total (A+B)		**768,746,470**	**100%**															

[1] Front-end Engineering Design services for hydrogen production plant projects

Capital expenditure (CapEx)
The denominator of the Capital Expenditure KPI covers additions to property, plant and equipment and intangible assets (including internally generated intangible assets) during the financial year considered before depreciation, amortisation revaluations and impairments. The denominator includes increases in right-of-use assets for leases accounted for in accordance with IFRS 16. The denominator covers additions to tangible and intangible assets resulting from business combinations. The additions should reconcile to intangible assets in note 3.1, property, plant and equipment in note 3.2 and right-of-use assets in note 3.3.

The numerator of the Capital Expenditure KPI equals the capital expenditure included in the denominator that is related to assets or processes associated with economic activities aligned with the EU Taxonomy. The numerator includes capitalised development expenditures disbursed on Nel's taxonomy eligible activities, such as purchase of production tools and manufacturing equipment for expansion of production capacity in Herøya, Norway and Wallingford, United States, and costs capitalised for development and quality enhancement of product related technologies.

.

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities

		SUBSTANTIAL CONTRIBUTION CRITERIA								DNSH CRITERIA								
	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimal safeguards	Taxonomy aligned proportion of turnover	Category (enabling activities)
		NOK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	E
A: TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-															
A.2 Environmentally sustainable activities (not Taxonomy-aligned)																		
3.2 Manufacture of equipment for the production and use of hydrogen		736,052,720	95%	-	100%	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	95%	E
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																		
Total CapEx of Taxonomy-eligible activities (A.1 + A.2)		736,052,720	95%														95%	95%
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																		
CapEx of Taxonomy non-eligible activities (B)		35,175,280	5%															
Total (A+B)		**771,228,000**	**100%**															

RESPONSIBILITY STATEMENT

"We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2023, up to and including 31 December 2023, 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 2024

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)

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 2023 consisted of 1 671 325 304 shares, including both outstanding shares and treasury shares, with a par value of NOK 0.20 per share.

The company has in place a shareholder return policy. The distribution of dividends and repurchase of shares are subject to the discretion of the Board of Directors at Nel ASA. Nel ASA is currently in a growth phase, with substantial investments directed towards capacity expansions and organizational development. Considering the company's state, shareholder returns in the form of dividends or share buy-backs are currently not prioritized.

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 2023, the board was granted authorisation to increase the share capital with up to NOK 33 426 506 through one or several capital increases. In addition, a separate authorisation to increase the share capital of up to NOK 3 342 651 for issue of shares in connection with incentive programs for employees. 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.

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 2023, the annual general meeting was held on 21 April and 12.59 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.

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 2023, the following persons were elected to the nomination committee and serve until the 2024 annual general meeting:

- Eivind Sars Veddeng, chair
- Andreas Poole, member

8. Board 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 2023, Ole Enger, chair of the board, Hanne Blume, Beatriz Malo de Molina, Charlotta Falvin and Tom Røtjer were all re-elected to the board. Arvid Moss and Jens Bjørn Staff were elected as new members 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 13 (parent company) for transactions with related parties.

9. The work of the Board

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 2023, save any listed under item 8 independence.

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

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

In 2023, the board conducted 13 board meetings with 100% meeting attendance, with the exception of one meeting where one Board member had notified in advance his inability to participate. The meetings were held at group headquarters in Oslo, one meeting at the Danish subsidiary 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 6 meetings with 100% meeting attendance in 2023.

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 5 meeting with 100% meeting attendance in 2023. The committee was also involved in discussions related to the recruitment of strategic positions for Nel and key organisational adjustments through the year.

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

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

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

11. Board remuneration

Nel's general meeting determines the remuneration of the board 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 2023 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 2023 will be presented to the general meeting in 2024 for an advisory vote. The remuneration report will become available during March 2024, 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.

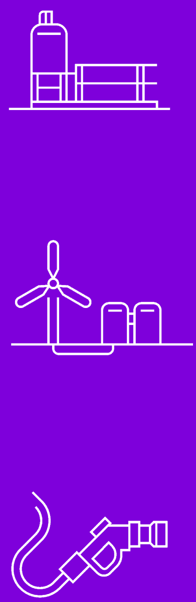
The board has adopted guidelines on management's use of the auditor for services other than auditing. The Public Audit Act entered into force on January 1, 2021. Extended tasks including purchase of non-audit services and follow-up of the external auditor are considered by the audit committee. Non-audit 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 2024

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)	

6 Consolidated financial statements 2023 Nel group



Consolidated statement of comprehensive income

(Amounts in NOK thousands)

Nel group

	NOTE	2023	2022
Revenue from contracts with customers	2.1. 2.3	1 681 070	914 853
Other income	2.2	92 006	78 728
Total revenue and income		1 773 076	993 581
Raw materials	2.4	856 926	584 815
Personnel expenses	2.5	821 303	664 815
Depreciation and amortisation	3.1. 3.2	223 814	171 483
Impairment of tangible and intangible assets	3.1. 3.2	1 971	327 298
Other operating expenses	2.6	568 566	523 824
Total operating expenses		2 472 580	2 272 235
Operating loss		-699 504	-1 278 654
Finance income	2.7	175 505	97 629
Finance costs	2.7	-344 821	-5 972
Share of profit (loss) from associates and joint ventures	3.4	-3 714	0
Pre-tax income (loss)		-872 534	-1 186 997
Tax expense (-income)	2.8	-17 338	-15 828
Net income (loss) attributable to equity holders of the company		-855 196	-1 171 169
OTHER COMPREHENSIVE INCOME THAT ARE OR MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS (NET OF TAX)			
Currency translation differences		-1 253	65 035
Cash flow hedges. effective portion of changes in fair value	6.5	-18 504	-6 900
Cash flow hedges. reclassified	6.5	34 417	-6 848
Comprehensive income attributable to equity holders of the company		-840 536	-1 119 882
Earnings per share (NOK) attributable to Nel shareholders	2.9	-0.52	-0.76
Diluted earnings per share (NOK) attributable to Nel shareholders	2.9	-0.52	-0.76

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	2023	2022
NON-CURRENT ASSETS			
Technology	3.1	631 521	547 387
Customer relationship	3.1	8 220	21 489
Goodwill	3.1	375 305	365 580
Property. plant and equipment	3.2. 3.3	1 305 678	785 488
Investments in associates and joint ventures	3.4	100	2 886
Non-current financial assets	3.5	159 259	250 072
Total non-current assets		2 480 083	1 972 902
CURRENT ASSETS			
Inventories	4.1	703 990	504 595
Trade receivables	4.2	812 407	460 735
Contract assets	2.1	49 767	96 322
Other current assets	4.3	447 342	777 408
Cash and cash equivalents	4.4	3 363 431	3 138 550
Total current assets		5 376 937	4 977 610
TOTAL ASSETS		7 857 020	6 950 512

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	2023	2022
EQUITY			
Share capital	5.1	334 265	312 665
Treasury shares	5.1	-84	-84
Share premium	5.1	8 661 090	7 098 186
Other capital reserves	5.1	65 928	61 768
Retained earnings	5.1	-2 998 001	-2 142 805
Other components of equity	5.1	134 538	119 878
Total equity		6 197 736	5 449 608
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.8	38 436	45 529
Long-term debt	5.2	22 458	22 431
Lease liabilities	3.3	199 136	170 177
Deferred income	5.3	66 243	64 049
Other non-current liabilities	5.4	4 860	7 102
Total non-current liabilites		331 133	309 288
CURRENT LIABILITIES			
Trade payables		204 863	201 744
Lease liabilities	3.3	38 067	30 438
Contract liabilities	2.1	715 288	672 291
Other current liabilities	5.4	238 216	133 704
Provisions	5.5	131 717	153 440
Total current liabilities		1 328 151	1 191 617
Total liabilities		1 659 284	1 500 905
TOTAL EQUITY AND LIABILITIES		7 857 020	6 950 512

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

Consolidated statement of cash flows

(Amounts in NOK thousands)

		Nel group	
	NOTE	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Pre-tax income (loss)		-872 534	-1 186 997
Adjustments for interest expense	2.7	15 461	11 166
Depreciation, amortisation and impairment	3.1, 3.2	225 785	498 781
Change in fair value equity instruments	2.7, 4.3	342 213	30 614
Equity-settled share-based compensation expense	2.,5	4 030	8 342
Change in provisions	5.5	-21 723	65 334
Change in inventories	4.1	-199 395	-176 130
Change in trade receivables and contract balances	2.1, 4.2	-262 120	144 590
Change in trade payables		3 119	68 782
Changes in other balances	4.3, 5.4	95 496	-155 062
Net cash flow from operating activities		-669 668	-690 580
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3.2	-573 589	-160 486
Payments for capitalised technology	3.1	-166 242	-118 251
Purchase of other investments	3.5, 4.3	-92 219	-206 450
Investments in other financial assets	3.5	0	-5 296
Investments in associates and joint ventures	3.4	-973	-1 160
Proceeds from sales of other investments	3.5, 4.3	186 211	88 555
Net cash flow from investing activities		-646 812	-403 088
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid	2.7	-15 461	-11 166
Gross cash flow from share issues	5.1	1 609 200	1 545 866
Transaction costs from share issues	5.1	-24 696	-23 426
Payment of lease liabilities	3.3	-25 773	-14 400
Payment of non-current liabilities	5.2	-1 533	-1 889
Net cash flow from financing activities		1 541 737	1 494 985
Effect of exchange rate changes on cash		-376	14 464
Net change in cash and cash equivalents		224 881	415 781
Cash balance as of 01.01	4.4	3 138 550	2 722 769
Cash balance as of 31.12	4.4	3 363 431	3 138 550

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

Consolidated statement of changes in equity

(Amounts in NOK thousands)

Nel group

	NOTES	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER RESERVE	RETAINED-EARNINGS	CURRENCY TRANSLATION DIFFERENCE	HEDGING RESERVE	TOTAL EQUITY
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	4.4	20 505		1 501 935					1 522 440
Options and share program	2.5		-3	3	8 346				8 346
Equity as of 31.12.2022		312 665	-84	7 098 186	61 768	-2 142 805	128 512	-8 634	5 449 608
Total comprehensive income						-855 196	-1 253	15 913	-840 536
Increase of capital 2023	4.4	21 600		1 562 904					1 584 504
Options and share program	2.5				4 160				4 160
Equity as of 31.12.2023		334 265	-84	8 661 090	65 928	-2 998 001	127 259	7 279	6 197 736

OSLO, 27 FEBRUARY 2024

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

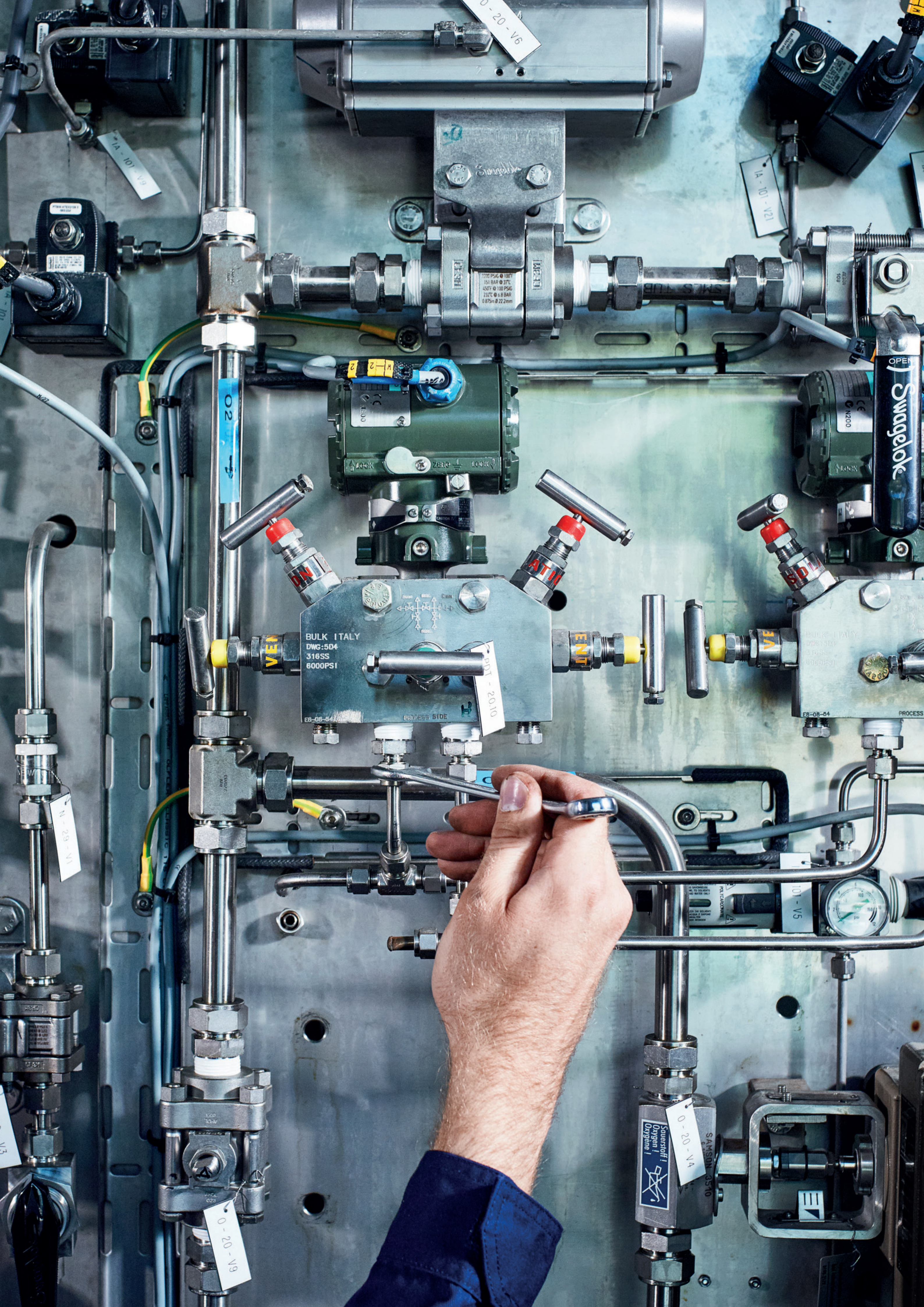
(Electronically signed)

Tom Røtjer
Board member

(Electronically signed)

Jens Bjørn Staff
Board member
(Electronically signed)

Håkon Volldal
CEO
(Electronically signed)


0 - 20 - V6
IA - 101 - V21
O2
Swagelok
OPEN
BULK ITALY
DWG:5D4
316SS
6000PSI
PDT - 20.10
N - 20 - V1
101 - V5
0 - 20 - V9
0 - 20 - V4
Sauerstoff !
Oxygen !
Oxygène !
SAMSON

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 IFRS Accounting Standard 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, 2024.

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 2023. 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 Material accounting policies

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

Table of contents for where the material 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:

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors— Definition of Accounting Estimates

The amendments to IAS 8 replaced the definition of accounting estimates to "monetary amounts in financial statements that are subject to measurement uncertainty". The adoption of this definition did not have any material impact in the group consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies

The group has adopted the amendments to IAS 1 for the first time in the current year. The amendments replace the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The adoption of this definition did not have any material impact in the group consolidated financial statements.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The group has adopted the amendments to IAS 12 for the first time in the current year. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. It would require Nel to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The adoption of this definition did not have any material impact in the group consolidated financial statements.

Other changes in IFRS related to "*Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules*" and "*IFRS 17 Insurance Contracts (including the June 2020 and December 2022 Amendments to IFRS 17)*" did not affect any material transaction occurring in the reporting period.

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
Expected credit loss assessment	6.2

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, 44% (49%) and 56% (51%) of revenue in 2023, 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:

	2023			2022		
SEGMENTS	FUELING	ELECTROLYSER	TOTAL	FUELING	ELECTROLYSER	TOTAL
Type of goods or service						
Equipment and projects	278 115	1 220 417	1 498 532	151 377	630 960	782 337
Service and aftermarket	53 153	129 385	182 538	56 662	75 854	132 516
TOTAL Revenue from contracts with customers	331 269	1 349 801	1 681 070	208 039	706 814	914 853
Timing of revenue recognition						
Revenue recognised at point in time	256 085	477 866	733 951	151 377	297 036	448 413
Revenue recognised over time	75 184	871 935	947 119	56 662	409 777	466 440
TOTAL Revenue from contracts with customers	331 269	1 349 801	1 681 070	208 039	706 814	914 853

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".

	2023			2022		
CONTRACT BALANCES	CONTRACT ASSETS	CONTRACT LIABILITIES	TOTAL	CONTRACT ASSETS	CONTRACT LIABILITIES	TOTAL
Rights to consideration on contracts in progress	382 621	910 532	1 293 153	556 141	525 812	1 081 953
Less - advances and progress billings	-332 854	-1 625 820	-1 958 674	-459 819	-1 198 103	-1 657 922
TOTAL Contract assets (liabilities)	49 767	-715 288		96 322	-672 291	

CONTRACT LIABILITIES	2023	2022
Balance as of 01.01.	-672 291	-360 821
Revenue from amounts included in contract liabilities at the beginning of the period	492 165	251 205
Billings and advances received not recognised as revenue in the period	-554 127	-554 596
Basis adjustment - effect of hedge accounting	18 966	-8 080
Balance as of 31.12.	-715 288	-672 291

CONTRACT ASSETS	2023	2022
Balance as of 01.01.	96 322	178 769
Transfers from contract assets recognised at the beginning of the period to receivables	-84 288	-167 774
Increases due to measure of progress in the period	46 747	83 271
Revaluation	-3 221	2 056
Balance as of 31.12.	49 767	96 322

Order backlog

The performance obligations in contracts with customers vary from a few months to 4 years. The order backlog as of December 31, 2023, was NOK 2 457.7 million (2022: NOK 2 612.6 million). The order backlog in electrolyser and fueling is NOK 2 093.5 million and NOK 364.2 million, respectively. The transaction price allocated to the remaining performance obligations is illustrated in table below:

AS OF 31.12.2023	2024	2025	2026	2027 OR LATER	TOTAL BACKLOG
Partly unsatisfied performance obligations	1 712 249	385 616	60 841	2 396	2 161 102
Unsatisfied performance obligations	251 341	41 763	3 456	0	296 560
TOTAL backlog	1 963 591	427 379	64 297	2 396	2 457 663

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

2.2 Other income

OTHER INCOME	2023	2022
Government grants	12 028	22 307
Research and design study reports	69 891	34 549
Sub-lease	0	2 205
Insurance compensation	4 078	0
Other income	6 009	19 667
TOTAL Other income	92 006	78 728

Government grants within 'other income'

SEGMENT	COUNTRY	2023	2022
Electrolyser	Norway	2 953	4 638
Fueling	Denmark	9 075	17 668
TOTAL		12 028	22 307

	2023	2022
Government grants related to assets, amortised	12 028	22 307
TOTAL	12 028	22 307

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 net income (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.

2023	OPERATING SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING	ELECTROLYSER	OTHER[1]	TOTAL
Norway	1 537	42 579	0	44 116
United States	145 950	743 657	0	889 607
North America ex United States	17 348	15 180	0	32 528
Asia	13 815	145 408	0	159 223
Europe ex Norway	152 619	328 857	0	481 476
Middle East	0	45 718	0	45 718
Africa	0	12 584	0	12 584
South America	0	9 264	0	9 264
Oceania	0	6 555	0	6 555
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	331 269	1 349 801	0	1 681 070
Other operating income	14 664	77 342	0	92 006
Operating expenses excluding depreciation, amortisation and impairment	-547 823	-1 585 729	-113 243	-2 246 795
EBITDA	-201 890	-158 586	-113 243	-473 719
Depreciation and amortisation	-53 547	-161 979	-8 288	-223 814
Impairment of tangible and intangible assets	-547	-1 424	0	-1 971
OPERATING LOSS	-255 984	-321 989	-121 531	-699 504
Finance income	1 751	3 345	170 409	175 505
Finance costs	-44 036	-32 039	-268 746	-344 821
Share of loss from associates and joint ventures	0	0	-3 714	-3 714
Tax income (expense)	9 177	7 237	924	17 338
NET INCOME (LOSS)	-289 092	-343 446	-222 658	-855 196
TOTAL ASSETS	811 094	3 619 413	3 426 513	7 857 020
TOTAL LIABILITIES	327 221	1 269 631	62 432	1 659 284
Additions of property, plant and equipment and capitalised technology	48 921	690 909	0	739 830

[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.

In 2023, revenue from single customers above 10% of total revenues include NOK 430.3 million in revenues from an undisclosed US customer (electrolyser).

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

(Amounts in NOK thousands)

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 excluding depreciation, amortisation and impairment	-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
PRE-TAX 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
Additions of property, plant and equipment and capitalised technology	54 373	229 660	1 160	285 193

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.

PROPERTY, PLANT AND EQUIPMENT GEOGRAPHICAL AREA	2023	2022
Norway	906 172	562 761
Denmark	114 157	111 225
USA	282 856	107 959
South Korea	2 493	3 543
Balance as of 31.12.	1 305 678	785 488

2.4 Raw materials

(Amounts in NOK thousands)

	2023	2022
Raw material	837 765	557 149
Freight expense	15 825	13 939
Other consumables	3 336	13 728
TOTAL	856 926	584 815

2.5 Personnel expenses

(Amounts in NOK thousands)

	2023	2022
Salaries	701 119	581 677
Social security tax	72 778	51 843
Pension expense	35 904	29 508
Other payroll expenses [1]	48 378	41 584
Capitalised salary to technology development	-36 877	-39 796
TOTAL	821 303	664 815

[1] Included here are expenses amounting to NOK 4.2 million (7.6) related to the Group's share option program.

	2023	2022
Average number of full time equivalent	631	580
Hereof women	129	105

SHARE OPTION PROGRAM UNTIL END OF 2021

Nel compensate employees with share options as part of a program to incentivize and retain key employees. The share option program was distributed groupwide until end of 2021 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 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.

SHARE OPTION PROGRAM BEYOND 2022

All options have only service-time based vesting conditions. Vesting requires the option holder still to be an employee in the company. Specifically, options do not vest after the date the employee serves his or her notice to terminate the engagement with the company or has been notified in writing of the termination of employment by the company. The strike price is a premium of 8 % over the highest of the closing share price on grant date and the volume-weighted average price over the past 5 preceding trading days.

Options granted 2023:

Options was awarded in 2023 based on 2022 employment for a selection of employees. A total of 1.4 million share options were granted, with a 3-year vesting period, 5-year expiry and a cap on gain per option of 10 NOK per share.

CEO OPTIONS

The CEO was awarded 500.000 options. Each option vests after three years of grant and may, subject to continued employment, be exercised over a two-year period thereafter. Each option entitles him to acquire one new share of the Company at an exercise price equal to the listed price at the date of grant plus 10%. A maximum profit level has been implemented which limits the accumulated profit for all options to NOK 25 million, and to NOK 30 per option.

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 2023 was NOK 4.0 (8.3) million. The total social security accruals at the end of the year are NOK 0.0 (0.0) million (social security costs are zero because none of the options are in-the-money at the end of 2023). The total intrinsic value of the company's share-based instruments is NOK 0.0 (0.1) million as of 31 December 2023.

Key assumptions option pricing model per share option program

	2023	2022
Volatility	67.59%	na*
Interest rate	3.56%	na*
Dividend	0.00	na*

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]	17	0	-17	0	0	7,80	0	-
July 2020 [2]	9 508	0	0	-1 519	7 989	21,72	0	0,52
July 2021 [2]	6 699	0	0	-1 007	5 693	15,13	0	1,63
March 2023	0	1 370	0	-150	1 220	17,02	0	4,17
CEO 2023	0	500	0	0	500	13,85	0	4,50
TOTAL	16 225	1 870	-17	-2 675	15 402			3 080

SHARE OPTIONS HELD BY MEMBERS OF GROUP MANAGEMENT

	VESTED [2]					EXPIRY [2]			
NAME	2023	2024	2025	2026	TOTAL	2024	2025	2028	EXPENSE FOR THE PERIOD [3]
Håkon Volldal	0	0	0	500	500	0	0	500	0
Kjell Christian Bjørnsen	383	93	0	150	626	321	155	150	214
Marius Løken	0	0	0	0	0	0	0	0	0
Esa Laukkanen	0	0	0	150	150	0	0	150	0
Robert Borin	0	0	0	0	0	0	0	0	0
Hans Hide	380	96	0	150	626	316	160	150	216
Stein Ove Erdal	414	96	0	150	660	350	160	150	221
Caroline Duyckaerts	62	93	0	150	305	0	155	150	166
Other employees	9 093	2 973	0	470	12 536	7 003	5 063	470	3 213
TOTAL	10 332	3 351	0	1 720	15 402	7 989	5 693	1 720	4 030

[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, 2023 and CEO program.

[2] Cost of period does not include social security. The total social security accruals at the end of the year are NOK 0.0 (0.0) million.

No share options expired during the period. Next expiry date is 1 July 2024 for options granted June 2020.

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)

	2023	2022
Research and development expenditure	53 779	73 942
Utilities	24 603	23 809
Professional fees	117 601	116 108
Travel expenses	46 436	37 227
IT and communication costs	38 883	25 891
Changes in provisions	6 520	46 178
Repair and maintenance	16 278	10 572
Premises costs	29 074	29 147
Sub supplier services	81 312	76 337
Other expenses	154 080	84 611
TOTAL Other operating expenses	568 566	523 824

2.7 Finance income and cost

(Amounts in NOK thousands)

	2023	2022
Interest income	167 834	72 201
Change in fair value financial instruments	592	19 504
Other	7 079	5 924
Finance income	175 505	97 629
Interest expense	2 758	693
Interest expense lease liabilities	14 812	10 473
Net foreign exchange loss	-16 427	-56 459
Change in fair value financial instruments	342 804	50 118
Other	875	1 147
Finance cost	344 821	5 972
Net finance income (cost)	-169 316	91 657

The change in fair value financial instruments is mainly due to change in fair value of Nel's shareholdings in Everfuel of NOK -304.1 (Everfuel and Nikola in 2022 equals NOK 26.2 million) million. 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 710.6 million of tax amounts from tax losses carried forward (NOK 497.3 million in 2022). 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 746.8 million in 2023 (532.5 in 2022).

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2023	2022
Income (loss) before tax	-872 534	-1 186 997
Permanent differences	346 979	365 343
Change in temporary differences	30 651	183 538
Use of tax losses carried forward	-89 145	-149 070
The year's taxable income	-584 049	-787 186

RECONCILIATION OF TAX EXPENSE TO NORWEGIAN NOMINAL STATUTORY TAX RATE	2023	2022
Nominal tax rate	22 %	22 %
Income (loss) before tax	-872 534	-1 186 997
Tax this years income (loss), estimated	-191 957	-261 139
Tax effect of:		
Tax rates different from Norway	3 189	2 833
Permanent differences	71 637	78 196
Change in tax rates recognised in temporary differences	0	-3 702
Change in deferred tax	-8 830	-8 103
Change in not recognized deferred tax assets (tax liabilities)	115 233	163 930
Other differences	-6 609	12 158
Income tax expense	-17 338	-15 828

INCOME TAX EXPENSE COMPRISE	2023	2022
Income tax payable	-8 508	-7 726
Change in deferred tax	-8 830	-8 103
Total income tax expense (income)	-17 338	-15 828

TAX EFFECTS OF TEMPORARY DIFFERENCES	2023	2022
Trade receivables and customers contracts	-6 131	-12 949
Intangible assets	43 490	38 663
Property, plant and equipment	10 926	8 762
Inventories	2 053	-147
Accrued warranty	-16 591	-16 726
Leases	-8 047	-6 530
Deferred income	-22 485	-15 700
Other accruals	-39 411	-30 500
Tax losses carry forward	-710 578	-497 326
Deferred tax asset	-746 774	-532 453

RECONCILIATION TO STATEMENT OF FINANCIAL POSITION	2023	2022
Deferred tax asset	-746 774	-532 453
Deferred tax asset not recognised in statement of financial position	785 211	577 982
Deferred tax liability in the statement of financial position	38 436	45 529

CHANGES IN RECOGNISED DEFERRED TAX LIABILITY	2023	2022
Balance as of 01.01.	45 529	48 543
Recognised in the income statement	-8 830	-8 103
Translation differences on deferred taxes	1 736	5 089
Balance as of 31.12.	38 436	45 529

The majority of the deferred tax asset is related to tax losses carry forward. As of 31 December 2023, 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	2023	2022
Norway	240 470	233 084
Denmark	223 655	170 687
United States	234 205	88 753
South Korea	12 249	4 802
Balance as of 31.12.	710 578	497 326

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)

	2023	2022
Net loss attributable to the equity holders of the parent company and for the purpose of basic and diluted shares	-855 196	-1 171 169
Basic earnings per share		
Issued ordinary shares at 1 January	1 563 325	1 460 799
Share options exercised	0	4 487
Share issued	108 000	98 039
Issued ordinary shares at 31 December	1 671 325	1 563 325
Effect of weighting (share options exercised and share issued during the year)	-19 500	-25 202
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 651 825	1 538 123
Basic earnings per share for loss attributable to the equity holders of the parent company (NOK)	-0.52	-0.76
Diluted earnings per share		
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 651 825	1 538 123
Effect of share options on issue [1)]	0	0
Weighted-average number of shares outstanding for the purpose of diluted earnings per share	1 651 825	1 538 123
Diluted earnings per share for loss attributable to the equity holders of the parent company (NOK)	-0.52	-0.76

[1)] As of 31 December 2023, 15 402 175 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 47 and 17 full time employees working directly with R&D in the electrolyser and fueling division, respectively. Of the 47 full time employees working with electrolysers, 33 engineers are dedicated to technology at Proton OnSite in Wallingford, U.S. and 14 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. In its Alkaline division, Nel prioritizes the development of a pressurized alkaline Electrolyser targeting 1000Nm3/h single cell stack to increase product efficiency and safety. In the Proton Membrane division, the R&D team focused on the collaboration with General Motors applying the know-how acquired from the development of fuel cell batteries into the development of a new cell stack series. In addition, Nel's electrolyser divisions initiated the development of product concepts to larger sized projects meeting the requirements of a more sophisticated and complex electrolyser system.

The Electrolyser division has recognised on the statement of Financial Position Technology from internal development of NOK 359.1 (262.3) million as of 31.12.2023.

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 87.1 (71.9) million as of 31.12.2023.

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 2023 was NOK 393.2 (248.4) million, of which NOK 183.1 (118.3) million and NOK 210.1 (130.1) 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 01.01.2022	748 807	96 777	615 651	1 461 235
Additions from internal development	115 742	0	0	115 742
Additions aqcuired 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
Additions from internal development	131 897	0	0	131 897
Additions aqcuired separately	34 345	0	0	34 345
Disposals	-34 356	0	0	-34 356
Currency effects	22 651	1 039	9 725	33 415
Acquisition cost as of 31.12.2023	1 041 094	100 234	672 210	1 813 538
Accumulated amortisation and impairment as of 01.01.2022	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
Amortisation	96 175	14 308	0	110 483
Reversed amortisation disposals	-34 356	0	0	-34 356
Impairment	1 424	0	0	1 424
Currency effects	7 161	0	0	7 161
Accumulated amortisation and impairment as of 31.12.2023	409 572	92 013	296 905	798 491
Carrying value as of 31.12.2022	547 387	21 489	365 580	934 456
Carrying value as of 31.12.2023	631 521	8 220	375 305	1 015 046

Impairment loss NOK 1.4 (326.3) 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 not material development projects in electrolyser segment. Prior year, 2022, included impairment in Fueling of NOK 326.3 million. The assessment included 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

2023

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	GOODWILL	TOTAL
Internal development	414 177	0	0	414 177
Acquired separately	32 252	0	0	32 252
Acquired through business combinations	185 092	8 220	375 305	568 618
Carrying value as of 31.12.2023	631 521	8 220	375 305	1 015 046

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

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 2023. Impairment losses are recognised where the recoverable amount is less than the carrying amount. The group has not recognised goodwill impairment expense in 2023. In 2022, the group impaired the goodwill of NOK 296.4 million of the Fueling division recognized initially from the business acquisition of Fueling in 2015. The impairment charge was primarily supported by a reduced projection of growth for sales of light duties stations and an increased 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	2023	2022
Electrolyser US	313 941	304 216
Electrolyser Norway	61 364	61 364
Fueling	0	0
Balance as of 31.12.	375 305	365 580

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 2023, the market capitalisation of the group was approximately 3 times above the book value of equity, indicating no impairment of goodwill and impairment of the assets. In 2022 the market capitalisation was 4 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) Growth rates of 2.5% growth rate has been applied from year 2029 to 2031, and in terminal value year, for the CGUs Fueling and Electrolyser Norway. For Electrolyser US a declining growth rate of -3.5% has been conservatively applied between 2029 and 2031 to consider cost reductions passing through to customers in the future.

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 13.5 % to 14.9 %.

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. It excludes cash inflows and investments forecasted to meet the market demand before 2030. Therefore, the measured enterprise value calculated does not fully consider the growth in the renewable hydrogen market, nor the expansion plans and strategy of Nel. 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	313 941	61 364	0
Other intangible assets	314 882	212 313	97 605
Other invested capital	492 854	1 005 354	243 940
Carrying value	1 121 677	1 279 032	341 544
Recoverable amount	1 448 376	2 718 029	341 544
Headroom	326 699	1 438 997	0
Pre-tax nominal discount rate	13,5 %	14,9 %	14,1 %
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%	186	578	970	1 361	1 753
	-1,0%	-87	255	596	938	1 280
	0,0%	-297	7	**310***	613	916
	1,0%	-462	-190	83	355	628
	2,0%	-596	-349	-101	146	394

* 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. A newly automated plant in Herøya, Norway started operations in 2021 with further production expansion planned to be concluded in 2024. The operations consist of both assembly of electrolyser, marketing activities and product development

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

Sensitivity in headroom (amounts in NOK million)		PERCENTAGE POINT CHANGE IN EBITDA MARGIN				
		-4,0%	-2,0%	0,0%	2,0%	4,0%
CHANGES IN WACC	-2,0%	1 118	2 055	2 992	3 929	4 865
	-1,0%	500	1 302	2 104	2 905	3 707
	0,0%	40	739	**1439***	2 139	2 838
	1,0%	-313	306	926	1 545	2 165
	2,0%	-591	-36	519	1 074	1 629

* 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%	-428	-8	413	833	1 253
	-1,0%	-534	-180	174	529	883
	0,0%	-610	-305	**0***	305	610
	1,0%	-667	-400	-132	135	402
	2,0%	-710	-473	-236	1	238

* 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 2023 to terminal	1,0%	-0,1	-1,1
		0,0%	-0,4	-1,3
		-1,0%	-0,6	-1,5
Gross margin [2]	Perecentage points in terminal	1,0%	-1,1%	-3,7%
		0,0%	-3,6%	-5,0%
		-1,0%	-5,8%	-6,2%
Free cash flow margin [3]	Perecentage points in terminal	1,0%	-0,9%	-2,9%
		0,0%	-2,7%	-3,9%
		-1,0%	-4,4%	-4,8%

[1] If revenue assumption in terminal is reduced with this year's revenue multiplied with this factor, the headroom is zero.

[2] If average gross margin rate assumption in the CGU is reduced with this percentage point in the terminal, the headroom is zero.

[3] If free cash flow margin rate assumption in the CGU is reduced with this percentage point in the terminal, the headroom is zero.

For the CGU Electrolyser Norway, the sensitivity table above shows, all other equal, that if revenue assumption in terminal value year 2031 is NOK 1 093 million lower than used in the impairment test, the headroom is 0. Additionally, the sensitivity in the impairment test shows that if gross margin in terminal value year 2031 is 5.0% lower, blended, the headroom is zero.

Finally, it shows that if free cash flow margin in terminal value year 2031 is 3.9% lower than projected, the headroom is zero. The table shows all these sensitivities in scenarios where WACC is +/- 1. CGU Fueling is not included in the table as headroom is measured zero in the impairment test and any reducing changes in the assumptions would lead to negative headroom.

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 01.01.2022	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
Additions	482 427	60 420	22 173	3 778	4 791	31 397	604 986
Disposals	0	-2 936	0	0	0	0	-2 936
Reclassification	-5 658	486	5 172	0	0	0	0
Remeasurement	0	0	0	0	0	28 661	28 661
Currency effects	-6 200	4 545	-2 005	6 033	34	1 459	3 866
Acquisition cost as of 31.12.2023	552 183	170 128	465 875	135 029	16 964	294 350	1 634 529
Accumulated depreciation as of 01.01.2022	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
Impairment	0	0	0	0	0	0	0
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
Depreciation	0	29 146	46 866	4 674	826	31 820	113 331
Impairment	0	0	360	187	0	0	547
Reversed depreciation disposals	0	-2 936	0	0	0	0	-2 936
Reclassification	0	0	0	0	0	0	0
Currency effects	0	1 672	860	911	2	0	3 445
Accumulated depreciation as of 31.12.2023	0	77 443	130 742	23 774	3 171	93 722	328 851
Carrying value as of 31.12.2022	81 614	58 052	357 879	107 216	9 796	170 931	785 488
Carrying value as of 31.12.2023	552 183	92 685	335 134	111 255	13 793	200 628	1 305 678
Useful life		3-5 years	3-8 years	30-40 years	15-20 years	2-10 years	
Depreciation plan		Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	

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

Alkaline Herøya expansion

In 2023, Nel continue executing the 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 281 million as of 31 December 2023. Total contractual commitments beyond December 2023 for the second line are NOK 118 million, including purchase contracts for all the physical equipment needed.

PEM Wallingford expansion

In 2023, Nel took final investment decision to expand the production capacity at its PEM electrolyser manufacturing facility in Wallingford, Connecticut. The expansion will bring annual production capacity towards 500MW in 2025. The carrying amount for the PEM expansion is NOK 180 million as of 31 December 2023. Total contractual commitments beyond December 2023 for the PEM expansion are NOK 100 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 has elected the practical expedient of expensing short-term leases and low value assets as incurred.

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 10 years, while offices, warehouse and parking have 5 years and motor vehicles and other equipment generally have lease terms between 2 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 01.01.2022	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	124 061	44 839	1 608	423	170 931
Additions	0	23 756	7 641	0	31 397
Remeasurement	7 542	21 013	94	13	28 661
Depreciation	-14 487	-15 283	-1 913	-137	-31 820
Translation difference	-73 200	15 958	58 671	30	1 459
As of 31.12.2023 (note 3.2)	43 915	90 282	66 102	329	200 628

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 plan to increase the production capacity in the United States, including the expenditure in 2023, and economic incentives to do not reallocate skilled staff and its fixed assets to a new production facility. During 2023, Nel invested NOK 180 million in the capacity expansion reinforcing that reassessment performed in 2022. The conclusion is that Nel is reasonably certain to exercise the first extension option expiring in July 2024.

As of 31 December 2023, 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.

Remeasurement in 2023 includes mainly extension of lease of storage facility in connection with production of alkaline electrolysers in Herøya, Norway.

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)

	2023	2022
Balance as of 01.01.	200 615	133 421
Additions	31 397	35 961
Remeasurement	28 661	43 117
Accretion of interest	14 812	10 473
Lease payments	-40 585	-24 873
Translation differences	2 304	2 515
Balance as of 31.12.	237 203	200 615
Current	38 067	30 438
Non-current	199 136	170 177
Balance as of 31.12.	237 203	200 615

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 31.12.2023. 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)

	2023	2022
Balance as of 01.01.	200 615	133 421
Cash flows principal amount	-25 773	-14 400
Cash flows interests	-14 812	-10 473
Non-cash changes:		
Additions and remeasurements	60 058	79 078
Accretion of interest expense	14 812	10 473
Foreign currency effects	2 304	2 515
Balance as of 31.12.	237 203	200 615

Amounts recognised in profit or loss

(Amounts in NOK thousands)

	2023	2022
Depreciation expense of right-of-use assets	-31 820	-21 358
Interest expense on lease liabilities	-16 041	-10 473
Income from subleasing right-of-use assets	0	2 205
Expense relating to leases of low-value assets	-241	-208
Expense relating to short-term leases, excluding short-term leases of low-value assets	-885	-32
TOTAL amount recognised in profit or loss	-48 987	-29 866

Other information

Total cash outflow for leases as a lessee	41 711	25 113
Weighted incremental borrowing rate used as discount rate for the measuring of lease liabilities	6,7 %	6,9 %

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.

	2024	2025	2026-2028	>2028
Extension options not reasonably certain to exercise	0	0	0	44 706
Termination options expected to be exercised	0	0	0	0
TOTAL	0	0	0	44 706

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 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 2023 or 2022.

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	2023	2022	2023	2022
Sagim SAS	France	Electrolyser	37.0%	Associate	100	100	100	100
Glomfjord Hydrogen AS	Norway	Electrolyser	23.2%	Associate	0	2 786	0	2 786
SUM associated companies					100	2 886	100	2 886
TOTAL associated companies and joint ventures					100	2 886	100	2 886

Shares in Glomfjord Hydrogen AS has been divested in 2023.

3.5 Non-current financial assets

(Amounts in NOK thousands)

	2023	2022
Investment in Hydrogen Energy Network (HyNet)	9 800	39 110
Long-term investments	147 053	208 066
Fair value of derivatives	407	189
Prepayments	161	159
Other non-current financial assets	1 837	2 548
Balance as of 31.12.	159 259	250 072

HYDROGEN ENERGY NETWORK (HyNet)

The group's shareholdings in Hydrogen Energy Network (HyNet) 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.

During 2023, the Group recognised negative fair value adjustment of NOK 30.6 million in the HyNet investment. The fair value adjustment is based on the financial situation in the company is strained and the company needs additional capital either through capital increases, investor loans or external loans. Therefore, a negative fair value adjustment is assessed prudent and unbiased. The accumulated cost of shares in HyNet is NOK 39.2 (33.9) million. The transaction and book value are in Korean Won, therefore, the shares are revalued to NOK 9.8 (31.9) million as of 31 December 2023. The shares are unquoted and there have not been any transactions of an identical or similar instrument. 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 66.4 (50.8) million relates to outstanding irrevocable letters of credit used as assurance for bid and contract performance, these letters of credit mature between 31 December 2023 and 31 January 2027. As of 31 December 2023, 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 2023, Nel has NOK 9.5 (107.0) as cash collateral for irrevocable letters of credit issued for advance payment guarantees with financial institutions. As of 31 December 2023, the customers have drawn NOK 0.0 (0.0) million on the letters of credit.

Lease payments guarantee (deposits) and other collateral

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 2023, the Group has NOK 67.1 (49.2) 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)

	2023	2022
Raw material	114 657	51 478
Work in progress	169 713	120 846
Finished goods	431 290	346 434
Allowance for obscolete inventory	-11 670	-14 163
Balance as of 31.12.	703 990	504 595

Inventories are measured at the lowest of cost and net realisable value less costs to sell. In both 2023 and 2022, all items of inventories are measured at cost.

The amount of inventories recognised as an expense was NOK 943.1 (622.2) 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)

	2023	2022
Receivables from third-party customers	843 964	463 005
Allowance for expected credit losses	-31 557	-2 270
Balance as of 31.12.	812 407	460 735

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)

	2023	2022
Balance as of 01.01.	2 270	1 177
Net remeasurement of loss allowance	29 287	1 093
Balance as of 31.12.	31 557	2 270

See note 6.2 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)

	2023	2022
Equity instruments	0	450 296
VAT net receivable	41 623	34 040
Short-term investments	24 013	96 861
Prepayments	214 855	147 422
Other current assets	145 456	48 351
Fair value of derivatives	21 396	438
Balance as of 31.12.	447 342	777 408

EQUITY INSTRUMENTS

Everfuel

The carrying value as of 31 December 2022 was NOK 435.8 million. As of 12 December 2023, Nel has divested all its shares in Everfuel A/S. During the year, Nel divested shares for a total net consideration of about NOK 133 million.

Everfuel A/S

(Amounts in NOK thousands)

	SHAREHOLDING	ACQUISITION COST NOK/ PER SHARE	FAIR VALUE NOK/ PER SHARE	BOOK VALUE
Carrying value as of 31.12.2021	12 359 109	1.12	38.18	471 871
Fair value adjustment 2022	0	0	0	-26 215
Sale of shares 2022	-218 854	0	0	-9 820
Carrying value as of 31.12.2022	12 140 255	1.12	35.90	435 836
Fair value adjustment 2023	0	0	0	-302 909
Sale of shares 2023	-12 140 255	0	0	-132 926
Carrying value as of 31.12.2023	0	0	0	0

Hyon

The carrying value as of 31 December 2022 was NOK 14.4 million. 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 31.12.2021	9 804 000	0.06	0.06	572
Fair value adjustment 2022	0	0	1.42	13 889
Carrying value as of 31.12.2022	9 804 000	0.06	1.48	14 461
Fair value adjustment 2023	0	0	-0.75	-7 387
Sale of shares	-9 804 000	0	-0.72	-7 074
Carrying value as of 31.12.2023	0	0	0.00	0

SHORT-TERM INVESTMENTS

H2NO AS

During 2023, Nel received consideration for sale of all shares in the company of NOK 34.1 million. The total gain on sale of shares is NOK 11.6 million, which the majority is recognised as fair value changes in 2021 and 2022. A finance income of 0.4 million is recognised in 2023 from realisation of shares in H2NO AS.

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

Guarantees are included as short-term investments with NOK 24.0 (61.2) 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)

	2023	2022
Cash and cash equivalents	3 347 803	3 125 757
Restricted bank deposits for employees' withheld taxes at 31.12	15 628	10 833
Other restricted bank accounts [1]	0	1 959
Balance as of 31.12.	3 363 431	3 138 550

[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.

	2023	2022
Norwegian Kroner	3 081 002	2 982 974
US Dollars	132 411	107 413
Danish Kroner	57 406	5 266
Swedish Kroner	5 557	7 165
Euro	54 429	7 061
GB Pounds	11 174	3 014
Korean Won	5 815	10 452
Polish Zloty	9	2 411
Balance as of 31.12.	3 347 803	3 125 757

Cash and cash equivalents are 92% (95%) in the Norwegian Krone (NOK) at the end of 2023. NOK 2 684 million is placed in 30-days locked interest accounts in a portfolio of 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 2023, the group's share capital was NOK 334.3 (312.7) million, consisting of 1 671 325 304 (1 563 325 304) 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 31.12.2023	COUNTRY	NUMBER OF SHARES	OWNERSHIP
BlackRock, Inc.	United States	66 211 666	3.96 %
The Vanguard Group, Inc.	United States	59 008 511	3.53 %
Government of Norway	Norway	50 947 702	3.05 %
DNB ASA	Norway	28 705 616	1.72 %
Storebrand ASA	Norway	25 897 839	1.55 %
Legal & General Group Plc	United Kingdom	17 658 530	1.06 %
SAS Rue la Boetie	France	14 829 747	0.89 %
Svenska Handelsbanken AB	Sweden	14 677 025	0.88 %
AXA SA	France	13 542 082	0.81 %
Van Eck Associates Corp.	United States	13 377 500	0.80 %
Mirae Asset Global Investments Co., Ltd.	United Kingdom	10 739 608	0.64 %
Allianz SE	Germany	10 734 575	0.64 %
Argenta Bank en Verzekeringsgroep NV	Luxembourg	7 736 650	0.46 %
Deutscher Sparkassen-und Giroverband eV	Germany	6 534 530	0.39 %
New York Life Insurance Co.	United States	6 313 608	0.38 %
Erste Group Bank AG	Austria	6 199 760	0.37 %
Eika Gruppen AS	Norway	6 174 271	0.37 %
green benefit AG	Germany	5 789 841	0.35 %
BNP Paribas SA	France	5 726 416	0.34 %
FV Frankfurter Vermogen AG	Germany	5 230 000	0.31 %
Total 20 largest shareholders		376 035 477	22.50 %
Total remaining shareholders		1 295 289 827	77.50 %
Total number of shares		1 671 325 304	100.00 %

As of 31 December 2023, Nel ASA owns 418 033 treasury shares. The par value NOK 0.20 per share is recognised within 'treasury shares' as a reduction of total equity, while excess consideration paid is recognised within share premium.

5.2 Long-term debt

(Amounts in NOK thousands)

LONG-TERM DEBT - LENDER	LEGAL ENTITY	MATURITY	INTEREST RATE	2023	2022
2) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0,36 %	16 160	15 995
3) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0,27 %	5 358	5 353
4) Nykredit - Vejlevej 3	Nel Hydrogen A/S	2028	0,30 %	940	1 083
Balance as of 31.12.				22 458	22 431

Reconciliation of liabilities arising from financing activities

(Amounts in NOK thousands)

	2023	2022
Balance as of 01.01.	22 431	23 191
Payment of loan	-1 533	-1 889
Non-cash changes:		
Accretion of interest	448	598
Foreign currency effects	1 113	530
Balance as of 31.12.	22 458	22 431

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)

2023

	2024	2025	2026	2027	>2027	TOTAL
Nykredit	1 510	1 551	1 593	1 637	16 169	22 458
Lease liabilities (note 3.3)	39 670	41 570	40 226	35 342	162 388	319 195
Estimated interest cost [1)]	495	459	459	459	2 743	4 614
TOTAL long-term debt including interest	41 674	43 579	42 278	37 437	181 299	346 267

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

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.

(Amounts in NOK thousands)

CARRYING AMOUNT OF ASSETS THAT ARE PLEDGED	2023	2022
Other equipment	0	92
Building	66 100	65 430
TOTAL	66 100	65 522

GUARANTEES	2023	2022
Bank guarantees	167 492	267 748

5.3 Deferred income

(Amounts in NOK thousands)

	2023	2022
Government grants	66 243	64 049
TOTAL deferred income	66 243	64 049

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 income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

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

(Amounts in NOK thousands)

	2023	2022
As of 31.12.2022	64 049	69 537
Grants received	9 280	15 291
Income recognised within 'other operating income' in 2023 (note 2.2)	-12 028	-22 307
Translation difference	4 942	1 527
As of 31.12.2023	66 243	64 049

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

DEFERRED INCOME AGING SCHEDULE	<2020	2020	2021	2022	2023	SUM
Government grants as of 31.12.2023	15 007	21 181	14 821	6 225	9 008	66 243
Government grants as of 31.12.2022	19 972	23 039	14 923	6 116	-	64 049

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

OPERATING SEGMENT	COUNTRY	2023	2022
Electrolyser	Norway	50 601	42 908
Fueling	Denmark	15 642	21 141
Balance as of 31.12.		66 243	64 049

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

5.4 Other liabilities

OTHER CURRENT LIABILITIES

(Amounts in NOK thousands)

	2023	2022
Vacation allowance and other salary related accruals	58 502	41 438
Public duties payable	35 606	24 110
Other current liabilities	127 985	60 417
Fair value of derivatives	16 123	7 740
Balance as of 31.12.	238 216	133 704

OTHER NON-CURRENT LIABILITIES

(Amounts in NOK thousands)

	2023	2022
Other non-current liabilities	4 860	4 919
Fair value of derivatives (note 6.4)	0	2 182
Balance as of 31.12.	4 860	7 102

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 01.01.2022	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
Additions	44 902	36 896	0	23 249	105 047
Used during the year	-40 056	-13 490	-1 000	-37 769	-92 315
Reversal of unused provisions	-15 131	0	-22 434	-2 441	-40 006
Foreign currency translation	1 551	1 261	1 672	1 067	5 551
As of 31.12.2023	59 812	46 458	0	25 446	131 717

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 2023 to be finally measured and paid in 2024 is 46.5 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 beginning of 2023 the provisions for settlement and claims were mainly related to the Kjørbo incident from 2019. During 2023, the company received a reduced notice of fine (no: forelegg) related to the Kjørbo incident. This has resulted in a reversal of approximately NOK 15.0 million in unused provisions in 2023. At the end of 2023 there is no provision.

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 3 363.4 million, as per 31.12.2023. 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	-213 094	-306 472	30 647	15 324	-15 324	-30 647
USD	-13 470	-126 623	12 662	6 331	-6 331	-12 662
KRW	-6 708 336	-53 465	5 347	2 673	-2 673	-5 347
SEK	-104 372	-106 730	10 673	5 337	-5 337	-10 673
GBP	40	439	-44	-22	22	44
EUR	4 244	45 504	-4 550	-2 275	2 275	4 550
Effect on net income (loss)			54 735	27 367	-27 367	-54 735
STATEMENT OF FINANCIAL POSITION						
NET RECEIVABLES/LIABILITIES IN FOREIGN CURRENCIES						
DKK	-16 229	-22 835	2 284	1 142	-1 142	-2 284
USD	17 444	148 841	-14 884	-7 442	7 442	14 884
KRW	-2 804	-22	2	1	-1	-2
SEK	-15 321	-15 987	1 599	799	-799	-1 599
GBP	-10	-110	11	6	-6	-11
EUR	47 970	502 263	-50 226	-25 113	25 113	50 226
Effect on net income (loss)			-61 215	-30 607	30 607	61 215
Total effect on Net income (loss) and Equity			-6 480	-3 240	3 240	6 480

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 2022 and 2023.

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.

2023	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT[1)]	LOSS ALLOWANCE	
Current (not past due)	0.1 %	183 159	184	
1-30 days past due	0.2 %	135 484	271	
31-60 days past due	0.5 %	127 945	640	
61-90 days past due	2.0 %	29 066	581	
91 days to one year past due	8.1 %	368 310	29 881	
More than one year past due	10.0 %	0	0	
Total		843 964	31 557	3.7 %

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 %

[1)] During 2023, revenue from a single customer was about 26%. As of 31 December 2023, about 57% of the trade receivables past due are related to this customer. The total payment received from this customer to date equals the operating profit booked to date on the contract. Nel has security for unpaid receivables from this customer in the sold goods and can reclaim as inventory items in the event of default.

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. However, we identify opportunities in the enactment of a low carbon economy.

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 2023, 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, 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 2023, the Group held the following instruments to hedge exposures to changes in foreign currency.

MATURITY/HEDGING INSTRUMENTS		2024-Q1	2024-Q2	2024-Q3	2024-Q4	MORE THAN ONE YEAR	TOTAL
USD	**USD** forward contracts, net	441	0	0	0	0	441
	Average NOK:USD forward contracts rate	10.28	0.00	0.00	0.00	0.00	10.28
	Hedged NOK, net (nominal amount)	4 531	0	0	0	0	4 531
	Fair value USD forward contracts	53	0	0	0	0	53
SEK	**SEK** forward contracts, net	-20 968	-82 871	-20 634	0	0	-124 473
	Average NOK:SEK forward contracts rate	0.97	0.97	0.97	0.00	0.00	0.97
	Hedged NOK, net (nominal amount)	-20 341	-80 185	-20 024	0	0	-120 549
	Fair value SEK forward contracts	921	4 133	1 016	0	0	6 070
GBP	**GBP** forward contracts, net	1 933	0	0	0	0	1 933
	Average NOK:GBP forward contracts rate	13.21	0.00	0.00	0.00	0.00	13.21
	Hedged NOK, net (nominal amount)	25 536	0	0	0	0	25 536
	Fair value GBP forward contracts	560	0	0	0	0	560
EUR	**EUR** forward contracts, net	29 319	19 919	19 378	12 226	1 260	82 102
	Average NOK:EUR forward contracts rate	11.46	11.17	11.03	11.06	11.73	11.23
	Hedged NOK, net (nominal amount)	335 880	222 565	213 685	135 184	14 776	922 089
	Fair value EUR forward contracts	5 944	-2 111	-5 351	-3 341	407	-4 452
TOTAL hedged NOK, net (nominal amount)		345 606	142 380	193 661	135 184	14 776	831 607
TOTAL fair value, NOK		7 479	2 022	-4 335	-3 341	407	2 232

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	438	189	-5 829	-50	-5 253
Raw materials	0	0	-1 840	-2 132	-3 972
As of 31.12.2022	438	189	-7 669	-2 182	-9 225
Revenue	11 877	407	-16 123	0	-3 839
Raw materials	6 070	0	0	0	6 070
As of 31.12.2023	17 948	407	-16 123	0	2 232

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 01.01.2022	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 01.01.2023	-6 502	-2 132	0	0	-8 634
Effective portion of changes in fair value	-13 236	-3 938	-1 330	0	-18 504
Reclassified to profit or loss	6 042	0	1 330	0	7 372
Reclassified to statement of financial positions (basis adjustment)	27 045	0	0	0	27 045
As of 31.12.2023	13 350	-6 070	0	0	7 279

During the year, a hedging loss of NOK -6.0 (2.9) 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)

	2023	2024	2025	2026	TOTAL
Revenue	-6 640	138	0	0	-6 502
Raw materials	0	-2 132	0	0	-2 132
As of 31.12.2022					-8 634
Revenue	-	12 943	407	0	13 350
Raw materials	-	-6 070	0	0	-6 070
As of 31.12.2023					7 279

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 2023 or 2022.

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

2023

	CARRYING AMOUNT				FAIR VALUE			
	FAIR VALUE - HEDGING INSTRUMENTS	MANDATORILY AT FVTPL - OTHERS	FINANCIAL ASSETS AND LIABILTIES AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets								
Financial assets measured at fair value								
Forward exchange contracts used for hedging	18 354	0	0	18 354	0	18 354	0	18 354
Financial asset - equity instruments	0	9 800	0	9 800	0	0	9 800	9 800
SUM	18 354	9 800	0	28 155	0	18 354	9 800	28 155
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	-16 123	0	0	-16 123	0	-16 123	0	-16 123
SUM	-16 123	0	0	-16 123	0	-16 123	0	-16 123
Financial liabilities not measured at fair value								
Long-term debt	0	0	22 458	22 458	0	22 458	0	22 458
SUM	0	0	22 458	22 458	0	22 458	0	22 458

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	0	0	626	0	626	0	626
Financial asset - equity instruments	0	489 406	0	489 406	450 296	0	39 110	489 406
SUM	626	489 406	0	490 033	450 296	626	39 110	490 033
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	-9 851	0	0	-9 851	0	-9 851	0	-9 851
SUM	-9 851	0	0	-9 851	0	-9 851	0	-9 851
Financial liabilities not measured at fair value								
Long-term debt	0	0	22 431	22 431	0	22 431	0	22 431
SUM	0	0	22 431	22 431	0	22 431	0	22 431

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 Alkaline expansion in Herøya, Norway and PEM expansion in Wallingford, Connecticut, 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 2023	OWNERSHIP/ VOTES 2022
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 %
Nel Hydrogen Chile SpA	Santiago, Chile	Electrolyser sales office	01.06.2023	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

2023

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT 2023	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION [1]	TOTAL REMUNERATION	NUMBER OF SHARES
Håkon Volldal, CEO [2]	4 364	589	201	0	5 154	0
Kjell Christian Bjørnsen, CFO	3 011	116	201	0	3 328	20 000
Marius Løken, CTO [3]	1 432	0	102	0	1 534	0
Anders Søreng, former CTO [4]	712	0	32	0	744	na
Esa Laukkanen, COO	2 964	55	0	0	3 019	0
Robert Borin, SVP Nel Hydrogen Fueling	3 231	106	304	0	3 641	0
Filip Smeets, former CCO [5]	2 603	69	91	2 180	4 943	0
Hans Hide, SVP Projects	2 268	85	201	0	2 554	30 000
Stein Ove Erdal, Senior Vice President Legal and General Counsel	2 371	126	201	0	2 698	0
Caroline Duyckaerts, Chief Human Resources Officer	1 937	67	201	0	2 204	0
TOTAL	24 893	1 214	1 534	2 180	29 821	50 000

[1] Other remuneration is mainly related to share option program and severance pay
[2] Has a six months notice period, plus is entitled to six months severence pay.
[3] Employed in Nel from June 2023
[4] Left Nel end of March 2023
[5] Left Nel end of December 2023

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

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	2023	2022
Statutory auditing services	2 949	3 073
Attestation services	103	160
Non-auditing services	512	0
TOTAL	3 564	3 233

In addition to the fees included in the remuneration table above, the group incurred NOK 1.2 (1.4) million in 2023 of attestation services and non-auditing services provided by companies other than EY, the group auditor.

FEES TO OTHER AUDITORS ELECTED BY SUBSIDIARIES	2023	2022
Statutory auditing services	0	0
Attestation services	1 217	1 435
Non-auditing services	0	0
TOTAL	1 217	1 435

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 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.

2023

BOARD OF DIRECTORS 2023	REMUNERATION	NUMBER OF SHARES	OWNERSHIP
Ole Enger - Chair of the Board	672	149 462	0,01 %
Tom Røtjer	366	0	0,00 %
Beatriz Malo de Molina	366	0	0,00 %
Charlotta Falvin	366	46 000	0,00 %
Hanne Blume	366	0	0,00 %
Jens Bjørn Staff [1)]	234	0	0,00 %
Arvid Moss [1)]	234	0	0,00 %
Finn Jebsen [1)]	131	na	na
Jon André Løkke [1)]	131	na	na
TOTAL	2 866	195 462	0,01 %

[1)] At the Annual General Meeting in 2023, Jens Bjørn Staff and Arvid Moss were elected as board members, replacing Finn Jebsen and Jon André Løkke.

AUDIT COMMITTEE 2023	REMUNERATION
Beatriz Malo de Molina - chair of the committee	115
Charlotta Falvin	80
TOTAL	195

REMUNERATION COMMITTEE 2023	REMUNERATION
Hanne Blume - chair of the committee	95
Ole Enger	65
TOTAL	160

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
Finn Jebsen - chair of the audit committee	110
Beatriz Malo de Molina	75
TOTAL	185

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

7.5 Events after the balance sheet date

Information about the group's financial position that has occurred after the balance sheet date is disclosed if the information is considered to be significant for the group's current financial statements and future position.

On 7 February 2024, Nel was made aware that Iwatani Corporation of America has filed a lawsuit with claims for damages in an unspecified amount towards Nel and certain of its subsidiaries in connection with certain agreements for delivery of fueling equipment and services between Nel Hydrogen Inc. and Iwatani Corporation of America. Nel and its subsidiaries strongly reject the allegations made in the lawsuit by Iwatani Corporation of America and will vigorously oppose the allegations and the lawsuit.

The lawsuit was filed with the United States District Court in the Central District of California.

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 beyond 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

Statement of comprehensive income

(Amounts in NOK thousands)

	NOTE	Nel ASA 2023	2022
Revenue from contracts with customers	3	77 757	87 989
Other income		2 010	1 958
Total revenue and income		79 767	89 947
Personnel expenses	4	67 541	69 070
Depreciation and amortisation	5	4 089	3 463
Other operating expenses	6	52 423	57 251
Total operating expenses		124 053	129 783
Operating loss		-44 286	-39 837
Finance income	7	235 809	133 857
Finance costs	7	-198 475	-1 545 964
Net financial items		37 333	-1 412 107
Pre-tax income (loss)		-6 952	-1 451 943
Tax expense	9	0	0
Net income (loss) attributable to equity holders of the company		-6 952	-1 451 943
Other comprehensive income		0	0
Comprehensive income (loss) attributable to equity holders of the company		-6 952	-1 451 943
Appropriation of comprehensive income (loss) and equity transfers			
Dividends proposed		0	0
Retained earnings		-6 952	-1 451 943
Total appropriation		-6 952	-1 451 943

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
ASSETS	NOTE	2023	2022
NON-CURRENT ASSETS			
Property, plant and equipment	5	11 857	14 301
Investments in subsidiaries	8	3 989 624	2 485 429
Non-current financial assets	10, 16, 17	104 076	159 011
Long-term receivables group	12	266 259	306 779
Total non-current assets		4 371 816	2 965 521
CURRENT ASSETS			
Trade receivables		29	74
Other current assets	10, 11, 16, 17	49 150	80 828
Cash and cash equivalents	13	3 204 108	2 931 508
Receivables group	12	159 673	148 019
Total current assets		3 412 960	3 160 430
TOTAL ASSETS		7 784 776	6 125 950

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
EQUITY AND LIABILITIES	NOTE	2023	2022
EQUITY			
Paid in capital			
Share capital	14	334 265	312 665
Treasury shares	14	-84	-84
Share premium	14	8 661 089	7 098 185
Other capital reserves	14	65 927	61 764
Accumulated deficits / Retained earnings	14	-1 438 491	-1 431 539
Total equity		7 622 707	6 040 992
NON-CURRENT LIABILITIES			
Lease liabilities	15	7 025	9 631
Long-term debt group	12	72 447	16 098
Other non-current liabilities	10, 17	0	2 182
Total non-current liabilites		79 472	27 912
CURRENT LIABILITIES			
Trade payables		5 559	13 342
Lease liabilities	15	3 826	3 574
Provisions		8 047	2 399
Short-term liabilities group	12	29 551	12 565
Other non-current liabilities	10, 16, 17	35 615	25 166
Total current liabilities		82 597	57 046
Total liabilities		162 069	84 958
TOTAL EQUITY AND LIABILITIES		7 784 776	6 125 950

Statement of cash flows

(Amounts in NOK thousands)

	NOTE	Nel ASA 2023	Nel ASA 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		-6 952	-1 451 943
Adjustments for interest expense	7	532	614
Adjustments interests received	7, 12	-69 806	-46 192
Equity-settled share-based compensation expense	4	1 080	1 525
Depreciation	5	4 089	3 463
Impairment of financial assets	7	233 390	1 484 984
Change in fair value equity instruments	11	7 387	10 014
Change in provisions		5 647	1 954
Change in account receivables, group receivables		-11 609	-51 395
Change in trade payable and group payables		9 203	-1 933
Changes in other current assets and other liabilities		-30 064	-32 794
Net cash flow from operating activities		142 899	-81 704
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	-584	-841
Loan given to subsidiaries	7	-1 528 531	-917 931
Investments in other financial assets	10	-92 219	-206 451
Proceeds from sales of other investments	10	170 479	78 735
Net cash flow from investing activities		-1 450 854	-1 046 487
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid	7	-532	-614
Gross cash flow from share issues	14	1 609 200	1 545 866
Transaction costs related to capital increases	14	-24 696	-23 426
Payment of lease liabilities	15	-3 415	-2 861
Net cash flow from financing activities		1 580 556	1 518 966
Net change in cash and cash equivalents		272 600	390 773
Cash balance as of 01.01	13	2 931 508	2 540 734
Cash balance as of 31.12	13	3 204 108	2 931 508

Statement of changes in equity

(Amounts in NOK thousands)

Nel ASA

	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	TREASURY SHARES	RETAINED EARNINGS	TOTAL EQUITY
Equity as of 31.12.2021	292 160	5 596 247	53 420	-81	20 405	5 962 150
Increase of capital 2021	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
Increase of capital 2022	21 600	1 562 904				1 584 504
Options and share program			4 163			4 163
Total comprehensive income					-6 952	-6 952
Equity as of 31.12.2023	334 265	8 661 089	65 927	-84	-1 438 491	7 622 707

OSLO, 27 FEBRUARY 2024

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)	

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 2024.

Note 2 Basis for preparation and material 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 2023. 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 utilized on 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 utilized. 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	2023	2022
Norway	34 665	36 849
United States	27 070	30 922
Denmark	15 299	18 498
South Korea	723	1 719
Total	77 757	87 989

All revenues in 2023 and 2022 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	2023	2022
Salaries	48 894	51 019
Social security tax*	9 072	9 423
Pension expense	0	4 441
Other payroll expenses**	9 575	4 186
Total	67 541	69 070

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

** Included in this amount are expenses amounting to NOK 1.1 (2.0) 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	32	23

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 2023	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION [1]	TOTAL REMUNERATION
Håkon Volldal, CEO [2]	4 364	589	201	0	5 154
Kjell Christian Bjørnsen, CFO	3 011	116	201	0	3 328
Marius Løken, CTO [3]	1 432	0	102	0	1 534
Anders Søreng, former CTO [4]	712	0	32	0	744
Hans Hide, SVP Projects	2 268	85	201	0	2 554
Stein Ove Erdal, Senior Vice President Legal and General Counsel	2 371	126	201	0	2 698
Caroline Duyckaerts, Chief Human Resources Officer	1 937	67	201	0	2 204
Total	16 095	984	1 138	0	18 217

[1] Other remuneration is mainly related to share options

[2] Has a six months notice period, plus is entitled to six months severence pay, if terminated by company.

[3] Employed in Nel from June 2023

[4] Left Nel end of March 2023

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

SHARE OPTION PROGRAM

Until 2022, Nel had a share-based incentive plan, a share option program, to incentivize and retain key employees. From 2023, this program was replaced by a financial short-term incentive scheme.

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 BEYOND 2022

All options have only service-time based vesting conditions.

Vesting requires the option holder still to be an employee in the company. Specifically, options do not vest after the date the employee serves his or her notice to terminate the engagement with the company or has been notified in writing of the termination of employment by the company. The strike price is a premium of 8 % over the highest of the closing share price on grant date and the volume-weighted average price over the past 5 preceding trading days.

Options granted 2023:

Options was awarded in 2023 based on 2022 employment for a selection of employees. A total of 0.72 million share options were granted, with a 3-year vesting period, 5-year expiry and a cap on gain per option of 10 NOK per share.

CEO OPTIONS

The CEO was awarded 500.000 options. Each option vests after three years of grant and may, subject to continued employment, be exercised over a two-year period thereafter.

Each option entitles him to acquire one new share of the Company at an exercise price equal to the listed price at the date of grant plus 10%. A maximum profit level has been implemented which limits the accumulated profit for all options to NOK 25 million, and to NOK 30 per option.

SHARE OPTION PROGRAM	OPENING BALANCE	GRANTED	EXERCISED	FORFEITED	CLOSING BALANCE	STRIKE PRICE	VALUE 1)	REMAINING CONTRACTUAL LIFE
July 2020 2)	1 245	0	0	-8	1 237	21,72	0	0,52
July 2021 2)	2 697	0	0	-1 688	1 009	15,13	0	1,63
March 2023 2)	0	720	0	0	720	17,02	0	4,17
CEO 2023	0	500	0	0	500	13,85	0	4,50
TOTAL	3 942	1 220	0	-1 697	3 465			

NAME	2023	2024	2025	2026	TOTAL	2024	2025	2028	EXPENSE FOR THE PERIOD 3)
Håkon Volldal	0	0	0	500	500	0	0	500	0
Kjell Christian Bjørnsen	383	93	0	150	626	321	155	150	214
Hans Hide	380	96	0	150	626	316	160	150	216
Stein Ove Erdal	414	96	0	150	660	350	160	150	221
Caroline Duyckaerts	62	93	0	150	305	0	155	150	166
Other employees	402	227	0	120	749	250	379	120	263
TOTAL	1 640	605	0	1 220	3 465	1 237	1 009	1 220	1 080

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 and 2023 program.
2) All share options are granted, vested and expired at the beginning of the month.
3) Cost of period does not include social security
4) The CEO will be granted 500,000 options on each of the first, second and third anniversary of the commencement date of his employment (July 1, 2022). The CEO program is capped at accumulated profit for all options to NOK 25 million, and to NOK 30 per option.

Note 5 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT COMPRISE OWNED AND LEASED ASSETS	OFFICE MACHINES AND OTHER EQUIPMENT	TECHNICAL INSTALLATIONS	RIGHT-OF-USE ASSETS	TOTAL
Carrying amount as of 31.12.2022	1 393	63	12 845	14 301
Carrying amount as of 31.12.2023	1 447	38	10 372	11 857
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:	2023	2022
Hardware and common cost office premises	1 596	1 637
Administrative costs	15 216	14 566
Professional fees	30 816	37 291
Travel expenses	4 794	3 756
Total	52 423	57 251

Auditor fees

FEES TO THE AUDITOR	2023	2022
Statutory auditing services	1 612	1 610
Attestation services	25	75
Non-auditing services	225	0
Total	1 862	1 685

Amounts are exclusive VAT

Note 7 Finance income and cost

	2023	2022
Internal interest income	69 805	46 192
Interest income	164 468	71 442
Change in fair value equity instruments	0	13 889
Other	1 536	2 335
Finance income	235 809	133 857
Internal interest cost	-512	0
Interest expense	-31	-57
Interest expense lease liabilities	-501	-557
Impairment shares in subsidiaries	-195 869	-1 484 984
Net foreign exchange gain/(loss)	43 547	58 654
Expected credit loss receivables from subsidiaries	-37 521	-94 624
Change in fair value equity instruments	-7 387	-23 903
Other	-201	-492
Finance cost	-198 475	-1 545 964
Net finance income (cost)	37 333	-1 412 107

Changes in fair value equity instruments are from shareholdings in Hyon and 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

SUBSIDIARIES COMPANY	OWNERSHIP	REGISTERED OFFICE	FUNCTIONAL CURRENCY	TOTAL EQUITY IN 2023 (FUNCTIONAL CURRENCY THOUSANDS)	NET INCOME(LOSS) 2023 (FUNCTIONAL CURRENCY THOUSANDS)	CARRYING VALUE 2023 (NOK THOUSANDS)	CARRYING VALUE 2022 (NOK THOUSANDS)
Nel Hydrogen Electrolyser AS	100 %	Norway	NOK	932 651	-185 760	1 912 006	1 301 047
Proton Energy Systems Inc	100 %	USA	USD	55 041	-22 583	1 721 703	1 147 328
Nel Hydrogen A/S	100 %	Denmark	DKK	188 445	-125 594	318 860	0
Nel Hydrogen Inc	100 %	USA	USD	8 838	-7 493	0	0
Nel Korea Co. Ltd	100 %	South Korea	KRW	-17 333 275	-7 101 483	0	0
Nel Fuel AS	100 %	Norway	NOK	174 316	-296 723	37 055	37 055
Total						3 989 624	2 485 429

The increase in book value of shares in subsidiaries are mainly debt conversions. Refer note 11 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	2023	2022
Income (loss) before tax	-6 952	-1 451 943
Permanent differences	241 864	1 598 495
Change in temporary differences	6 146	2 519
Group contribution	435	0
Use of tax losses carried forward	-241 492	-149 070
The year's taxable income	0	0

Tax rate	22 %	22 %
Income (loss) before tax	-6 952	-1 451 943
Tax this years loss, estimated	-1 530	-319 428
Tax effect of:		
Permanent differences	53 210	351 669
Change in temporary differences	0	-11 922
Prior years adjustment	43	0
Change in not recognised deferred tax assets (tax liabilities)	-51 724	-20 320
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	2023	2022
Specification of temporary differences:		
Property, plant and equipment and goodwill	-373	-288
Leases	-479	-360
Provisions for liabilities	-10 662	-4 720
Tax losses carry forward	-133 383	-374 637
Basis for deferred tax asset	-144 897	-380 005
Nominal tax rates for next year	22 %	22 %
Deferred tax asset	-31 877	-83 601
Deferred tax asset not recognised in Statement of financial position	-31 877	-83 601
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 2023, 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:	2023	2022
Equity instruments	0	14 461
Other short-term investments	24 013	61 182
Prepayments	3 678	3 840
Fair value of currency contracts	21 396	438
Other current receivables	63	908
Total	49 150	80 828

SPECIFICATION OF NON-CURRENT FINANCIAL ASSETS:	2023	2022
Other non-current investments	103 670	158 823
Fair value of currency contracts	407	189
Total	104 076	159 011

SPECIFICATION OF OTHER CURRENT LIABILITIES:	2023	2022
Vacation allowance and other salary related accruals	9 416	8 191
VAT net payables	6 834	6 099
Fair value of currency contracts	16 123	7 740
Other current liabilities	3 243	3 136
Total	35 615	25 166

SPECIFICATION OF OTHER NON-CURRENT LIABILITIES:	2023	2022
Fair value of currency contracts	0	2 182
Total	0	2 182

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 2023 shareholding is 0 (0.6) million recognised within 'other current assets'. The shares were disposed of on the 24 January 2023 for a consideration of NOK 7.04 million.

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	2022	LOAN ISSUE	DEBT CONVERSION	ACCRUED INTERESTS 2023	FX TRANSLATION EFFECTS	OTHER	2023
Nel Hydrogen Electrolyser AS	25 238	720 252	-610 000	25 608	0	0	161 098
Proton Energy Systems Inc	100 686	494 948	-573 297	22 389	12 778	0	57 504
Nel Hydrogen A/S	107 944	252 698	-367 871	15 645	14 269	0	22 684
Nel Hydrogen Inc	10 298	126 581	-145 812	5 861	3 072	0	0
Nel Korea Co. Ltd	34 235	-5 257	0	0	8 543	-37 521	0
Nel Fuel AS	11 006	-11 007	0	1	0	0	0
Nel Hydrogen Electrolyser Belgium BV	1 274	4 306	0	302	47	0	5 929
Total	290 681	1 582 522	-1 696 980	69 806	38 708	-37 521	247 215

LONG TERM INTEREST BEARING PAYABLES GROUP	2022	LOAN ISSUE	DEBT CONVERSION	ACCRUED INTERESTS 2023	FX TRANSLATION EFFECTS	OTHER	2023
Nel Fuel AS	0	53 991	0	512	0	0	54 503
Total	0	53 991	0	512	0	0	54 503

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	2023	2022	2023	2022
Nel Hydrogen Electrolyser AS	17 608	15 334	16 699	15 334
Proton Energy Systems Inc	262	591	106	591
Nel Hydrogen A/S	89	110	862	110
Nel Korea Co. Ltd	1 086	63	276	63
Total	19 045	16 098	17 944	16 098

Refer note 18 for additional information of financial guarantees.

CURRENT ASSETS	2023	2022
Nel Hydrogen Electrolyser AS	103 317	78 656
Proton Energy Systems Inc	26 127	31 391
Nel Hydrogen A/S	18 912	26 190
Nel Hydrogen Inc	3 404	4 990
Nel Korea Co. Ltd	7 478	6 793
Nel Fuel AS	435	0
Total	159 673	148 019

CURRENT LIABILITIES	2023	2022
Nel Hydrogen Electrolyser AS	21 354	6 463
Proton Energy Systems Inc	0	789
Nel Hydrogen A/S	4 347	3 705
Nel Hydrogen Electrolyser Belgium BV	3 850	1 608
Total	29 551	12 565

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 2023 charged NOK 77.8 (88) 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	2023	2022
Nel Hydrogen Electrolyser AS	34 665	36 849
Proton Energy Systems Inc	23 712	26 395
Nel Hydrogen A/S	15 299	18 498
Nel Hydrogen Inc	3 358	4 527
Nel Korea Co. Ltd	723	1 719
Nel Fuel AS	0	0
Total	77 757	87 989

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

	2023	2022
Cash and cash equivalents	3 201 223	2 929 035
Restricted cash (witheld employee taxes)	2 885	2 472
Total	3 204 108	2 931 508

Cash and cash equivalents are 99% in the Norwegian Krone (NOK) at the end of 2023. Approximately NOK 2.7 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 2023, 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:

	2023	2022
1. January	13 205	8 942
Additions	106	7 243
Remeasurement	955	-119
Accretion of interest	501	557
Lease payments	-3 916	-3 418
Balance as of 31.12.	10 851	13 205
Current	3 826	3 574
Non-current	7 025	9 631
Balance as of 31.12.	10 851	13 205

Maturity analysis for lease liabilities (undiscounted cash flows)

	2024	2025	2026	2027	>2027	TOTAL
Lease liabilities	3 921	3 889	3 451	284	0	11 545

(Amounts in NOK thousands)

	2023	2022
Balance as of 01.01.	13 205	8 942
Cash flows principal amount	-3 415	-2 861
Cash flows interests	-501	-557
Non-cash changes:		
Additions and remeasurements	1 061	7 124
Accretion of interest expense	501	557
Balance as of 31.12.	10 851	13 205

Note 16 Financial risk and derivatives

Financial risks in Nel and the use of derivative instruments are described in note 6.1 to the consolidated financial statement.

Nel ASA offers currency derivatives to subsidiaries using such instruments for risk management. The derivatives are measured at fair value (level 2 in fair value hierarchy), using valuation techniques which maximise the use of observable market price. The contracts with financial institutions are back-to-back with subsidiaries, thus, the contract has no P&L impact for Nel ASA. At the end of 2023 and 2022, Nel is committed to the following outstanding forward foreign exchange contracts with subsidiaries:

	2023	2022
Forward foreign exchange contracts (Nel Group internal), notional amount:		
Current assets	21 396	438
Non-current assets	407	189
Current liabilities	-16 123	-7 740
Non-current liabilities	0	-2 182
Total	5 680	-9 296

The contracts represents the subsidiaries exposure in US dollars, Euro, Swedish Krone and British pounds. The contracts mature no later than 2025.

Note 17 Financial instruments

Financial instruments and fair values

2023

	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	21 802	0	0	21 802	0	21 802	0	21 802
SUM	21 802	0	0	21 802	0	21 802	0	21 802
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts	-16 123	0	0	-16 123	0	-16 123	0	-16 123
SUM	-16 123	0	0	-16 123	0	-16 123	0	-16 123

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

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 17.9 (16.1) million as of 31. December 2023. The financial liabilities will be amortised over the lifetime of the guarantees, which is in the range of 1-7 years.

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 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 order intake where revenue is yet to be recognised.

9 Auditor's report

Statsautoriserte revisorer
Ernst & Young AS

Stortorvet 7, 0155 Oslo
Postboks 1156 Sentrum, 0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
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 the statement of financial position as of 31 December 2023 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 the statement of financial position as of 31 December 2023, 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 material accounting policy information.

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 2023 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 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting 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 2023. 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
At 31 December 2023, the recorded amount of goodwill was NOK 375 million, approximately 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.

Building a better working world

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 the 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 the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, the statement on corporate governance or the statement on corporate social responsibility, 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 of the financial statements of the Company that give a true and fair view in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible 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-2023-12-31-en, have 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.

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, 28 February 2024
ERNST & YOUNG AS

The auditor's report is signed electronically

Petter Frode Larsen
State Authorised Public Accountant (Norway)

info@nelhydrogen.com
+47 23 24 89 50
www.nelhydrogen.com

Office address:
Karenslyst allé 49,
0279 Oslo, Norway