Nel ASA

Q4 2021 report

Highlights of the quarter

- Nel ASA (Nel) reported revenue and operating income in the fourth quarter 2021 of NOK 248.1 million, up 8% from the fourth quarter 2020 (Q4 2020: 229.1)
- Global travel restrictions, supply chain disruptions and extraordinary measures related to the Covid-19 pandemic have continued to negatively impact progress on customer/partner dialogue, order intake, supply chain costs and lead time, installation, commissioning, and production efficiency
- Order intake this quarter of NOK 418.1 million (292.0). Order backlog ended at NOK 1 230 million at the end of the quarter, up 25% from the fourth quarter 2020 (up 21% compared to the third quarter 2021)
- EBITDA of NOK –167.7 million (Q4 2020: -96.2), negatively impacted by preparations for the future by the organisation growing faster than revenues and costs related to introduction of next generation products
- Operating loss of NOK -196.7 million (Q4 2020: -139.3) and a pre-tax loss of NOK -280.9 million (Q4 2020: 1 285.1), mainly related to loss from operations and a net negative unrealised fair value adjustment from shareholdings of NOK -89.1 million
- Cash balance of NOK 2 722.8 million (Q4 2020: 2 332.9)
- New orders
    - PEM electrolyser equipment from an undisclosed leading stationary fuel cell OEM with a value of approximately USD 2.6 million;
    - 20 MW alkaline electrolyser from Ovako;
    - Alkaline electrolyser from a new, European customer with a value of approximately EUR 3.0 million; and
    - Multiple H2Station™ for a site in the United States from a U.S. based fuel supplier with a value exceeding USD 6.0 million.

Subsequent events

- On January 5, Nel appointed Håkon Volldal as new Chief Executive Officer from July 1, 2022
- On January 21, Hyon AS, an associate company of Nel, announced a successful private placement and a subsequent listing
- On January 31, Nel received purchase orders with a value of about 5 MUSD for multiple PEM electrolysers from an innovation leader in sustainable food production in the U.S.
- On February 4, Nel receives a contract with a value of about 5 MUSD for containerized electrolyzer and hydrogen refueling equipment from a leading power and gas utility in the United States

Key figures

(unaudited amounts in NOK million)	Q4 2021	Q4 2020	2021	2020
Revenue and operating income	248	229	798	652
Operating expenses	445	368	1 381	1 066
EBITDA	-168	-96	-475	-252
Operating loss	-197	-139	-583	-414
Pre-tax income (loss) [1)]	-281	1 285	-1 684	1 246
Net income (loss) [1)]	-269	1 295	-1 667	1 262
Net cash flow from operating activities	-102	-94	-449	-216
Cash balance end of period	2 723	2 333	2 723	2 333
Order intake	418	292	967	1 043
Order backlog	1 230	981	1 230	981

1) Q4 2021 includes a negative fair value adjustment of the shareholding in Nikola Corporation of NOK -7.3 million (a value of USD 9.87 per share as of December 31, 2021). The fair value adjustment was NOK -70.8 million and NOK 100.2 million in the fourth quarter 2020 and full year 2020, respectively. A USD 10 increase/reduction in the share price of Nikola Corporation will lead to gains/losses of about NOK 100 million with a USD/NOK of 9.0.

Q4 2021 includes a negative fair value adjustment of the shareholding in Everfuel of NOK -83.3 million (a value of NOK 38.18 per share as of December 31, 2021). The fair value adjustment was NOK 1 531.8 and NOK 1 531.8 million in the fourth quarter 2020 and full year 2020, respectively. The Everfuel shares was subject to a lock-up expired on October 29, 2021. A NOK 10 increase/reduction in share price of Everfuel will lead to gains/losses of about NOK 120 million.

Financial development

Nel revenues and operations have been and are expected to continue to be negatively impacted by disruptions in the value chain and travel restrictions caused by Covid-19. Despite the impact, Nel remains committed to its strategy and has since 2019 taken on additional costs to prepare for future growth.

Nel reported revenue and operating income in the fourth quarter 2021 of NOK 248.1 million (229.1), following a growth in the Electrolyser segment of 41.4% and a decline in the Fueling segment of 31.8%, compared to the same quarter in 2020.

At the end of the fourth quarter 2021, Nel had an order backlog of NOK 1 230.1 million, up from NOK 981.1 million a year earlier. Total order intake was NOK 418.1 million (292.0) in the quarter. This quarter's order intake in the Electrolyser and Fueling segments were NOK 337.7 million (231.1) and NOK 80.4 million (60.9), respectively.

Total operating expenses comprises raw materials expenses, personnel expenses, depreciation, amortisation and impairment and other operating expenses. The total operating expenses in the quarter has increased by 20.7%, to NOK 444.8 million up from NOK 368.4 million same quarter last year.

Raw material expenses have increased with 26.4% from fourth quarter 2020. The increased raw materials of NOK 39.5 million is partly explained by the 14.7% increase in revenue from contracts with customers, while the margins have been negatively impacted by increase in project size, commodity prices, and introduction of next generation products.

Personnel expenses increased by 47.8% compared to the same quarter in 2020, which is explained by a higher number of employees, up from 393 employees by the end of fourth quarter 2020 to 507 at the end of fourth quarter 2021. The increase in number of employees is to maintain and strengthen our position in the growing market for hydrogen applications. The personnel expenses include recruitment related expenses in the quarter of approximately NOK 7.5 million, which is not part of the run rate of current employee base.

Other operating expenses increased by 7.0% compared to same quarter in 2020.

The high level of personnel and other operating costs are the results of Nel's strategic decision to pursue growth and higher activity levels.

Costs for the share option incentive program, which are included in personnel expenses, were NOK 3.0 million (2.3) in the quarter.

EBITDA ended at NOK -167.7 million (-96.2), while the EBITDA margin was -67.6% (-42.0%). The negative EBITDA was impacted by increasing pricing pressure, as well as the increase in raw materials and personnel expenses. In addition, project execution in both Fueling and Electrolyser divisions had a negative impact. Nel's customer projects often include new geographies, customer segments, technological components and/or products leading to additional costs and increased risk.

Depreciation, amortisation, and impairment were NOK 29.0 million (43.1) in the quarter.

Operating loss amounted to NOK -196.7 million (-139.3) in the period.

Net financial items amounted to a loss of NOK -84.2 million (1 424.4) and was driven by a net negative unrealised fair value adjustment from shareholdings of NOK -89.1 million, mainly from Nikola Corporation and Everfuel.

Pre-tax loss was -280.9 million (1 285.1) in the quarter and the net loss was NOK -269.5 million, compared to net income of NOK 1 295.4 million in the same quarter 2020. Q4 2020 income was mainly related to positive unrealised fair value adjustment of the shareholding in Everfuel of NOK 1 531.8 million.

Total comprehensive income is negative with NOK -282.3 million (1 238.6). There was a currency translation difference, net of tax, of NOK -9.2 million in the quarter (-65.4) related to converting statement of financial position from subsidiaries in USD, DKK and KRW into NOK due to net strengthening of NOK against these currencies.

Total assets were NOK 6 007.0 million at the end of the quarter, compared to NOK 6 136.7 million at the end of 2020, mainly due to an increase of cash from share capital increases in February offset by the decline in fair value of equity instruments and operating loss. Total equity was NOK 5 038.7 million, thus, the equity ratio was 83.9%.

Net cash flow from operating activities in the quarter was NOK -101.9 million, compared to NOK -93.9 million in the fourth quarter in 2020. The development is mainly due to increased personnel and other operating expenses were NOK 50.9 million higher in this quarter compared to same quarter last year as Nel continues to invest in its organisation. Change in net working capital was positive with NOK 38.7 million (-43.4) in the quarter. Net cash flow from investing activities was NOK -98.0 million (-114.4).

Nel's cash balance at the end of fourth quarter 2021 was NOK 2 722.8 million. The increase from end of 2020 is mainly due to raising net proceeds of NOK 1 209.7 million from the share capital increase in February. This is partly offset by negative cash flow from operations and investments.

Full year 2021

Nel reported revenue and operating income for 2021 of NOK 798.0 million (2020: 651.9 million), a growth of 22%. Electrolyser achieved a growth for the year of 38%, while growth in Fueling was 6%. Operating expenses increased to NOK 1 380.9 million (1 066.4), resulting in an operating loss of NOK -582.9 million (-414.5) and a net loss of NOK 1 666.9 (1 261.9).

EBITDA for 2021 ended at NOK -475.2 million compared to NOK -251.5 million for 2020. The related EBITDA margin was -59.6% for 2021 and -38.6% for 2020. 2021 had higher cost levels as well as somewhat lower margins. Costs levels are the results of Nel's strategic decision to pursue growth and higher activity levels. The number of employees has increased from 393 by the end 2020 to 507 at the end of 2021.

Nel in brief

Nel is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The company serves industries, energy and industrial gas companies with leading green hydrogen production technology.

Since our origins in 1927 as part of Norsk Hydro, we have a proud history of development and continuous improvement of hydrogen technologies.

Our hydrogen solutions cover important parts of the value chain: from hydrogen production technologies to hydrogen fueling stations, enabling industries to transition to green hydrogen, and providing fuel cell electric vehicles with the same fast fueling and long range as fossil-fuelled vehicles - without emissions.

Nel Hydrogen Electrolyser

Production and installation of electrolysers for hydrogen production.

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

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

Of the total global hydrogen market, only around 1% of the hydrogen is generated via water electrolysis. However, electrolysis is expected to grow in market share, mainly driven by the decreasing cost of renewable energy, increased share of intermittent (wind and solar) energy, decreasing cost of electrolysers, and an increasing focus on climate and air quality.

The overall hydrogen market is also expected to grow significantly in the coming years, with hydrogen being used as a zero-emission fuel for mobility and as a way of decarbonising various industrial sectors like the replacement of coal in the metal industry, and other hard-to-decarbonise sectors. The process of converting renewable electricity to hydrogen and utilising hydrogen both in existing and new markets, is referred to as "power-to-X", where X refers to the various applications for hydrogen.

A step-change in the size of power-to-X projects is beginning worldwide, as projects are moving to megawatt-scale. This trend is welcomed by Nel, as it makes the group's portfolio of large-scale electrolyser solutions increasingly relevant.

Commercial sales of electrolysers began in the 1970s and there has since been delivered over 3500 electrolyser units in more than 80 countries. The electrolyser business area has manufacturing facilities in Herøya, Norway, and in Wallingford, Connecticut, USA. The company has a global reach through its in-house sales operation and network of agents across the globe.

Today, Nel has a complete product portfolio of both alkaline and PEM electrolysers and is also continuously developing and improving both technologies. Initiatives include a next generation large scale, pressurised alkaline electrolyser as well as larger PEM stacks, and large-scale solutions which allow for significant cost reductions on a system level.

With increasing demand for large scale electrolysers, Nel has now completed building the first production line at Herøya, Norway. The Herøya plant is highly automated and significant production cost reductions are expected. These cost reductions will be important in making renewable hydrogen cost competitive with fossil hydrogen and fossil fuels.

Reduced cost and new large-scale solutions should enable Nel to penetrate new markets, as well as increase its competitiveness in existing ones. And gradually, Nel aims to replace the various fossil solutions for hydrogen production on which the world currently relies.

Nel Hydrogen Fueling

Production of hydrogen fueling stations for cars, buses, trucks, forklifts and other applications.

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

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

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

Our target is to enable hydrogen to outcompete fossil fuels for an increasing number of applications, and eventually to become a preferred fuel alternative. Increased activities in the heavy-duty segment (buses, trucks etc.) has encouraged Nel to step up technology developments, and to launch new products, better suited for heavy-duty applications. Significant technology developments will continue going forward to support these new applications.

All in all, our combined electrolyser and fueling activities are supporting our vision:

"Empowering generations with clean energy forever"

Developments

Nel Hydrogen Electrolyser

Nel Hydrogen Electrolyser reported revenue and operating income of NOK 177.6 million in the fourth quarter of 2021, an increase of 41% from NOK 125.6 million in the same quarter 2020. Norway has an increase of 102% from higher sales of alkaline electrolysers, while the US has an increase of 32% from sales of PEM electrolysers.

EBITDA was NOK -70.2 million in the fourth quarter of 2021, decreased from NOK -20.6 million in the same quarter in 2020. The results have been negatively impacted by ramp-up activities, increase in commodity prices and lower margins in Norway and US as well as a general negative impact on operations due to Covid-19.

Employees in Nel Hydrogen Electrolyser has increased from 179 employees by the end of fourth quarter 2020 to 240 at the end of fourth quarter 2021, driven by increase in project and production personnel.

Nel received contract for PEM electrolyser equipment

Nel Hydrogen US has received a contract for PEM electrolyser equipment from a leading global stationary fuel cell company. The purchase order has a value of approximately USD 2.6 million, and the equipment will be delivered between 2022 and 2024. Nel will also be providing design consulting services as part of the project.

Nel received purchase order for 20 MW alkaline electrolyser from Ovako

Nel has received a purchase order for a 20 MW alkaline electrolyser system from Ovako, a leading European manufacturer of engineering steel. The electrolyser will be installed at Ovako's existing plant in Hofors, Sweden, the first plant in the world to use hydrogen to heat steel prior to rolling and hot forming. The fossil-free hydrogen will replace the use of fossil propane gas currently used in heating furnaces at the site. The contract value is approximately EUR 11 million and the equipment is expected to be delivered at the end of 2022, with the first hydrogen production in 2023. The conversion to hydrogen will enable Ovako to reduce its CO2 emissions for hot forming of steel in Hofors by 50 percent from already low levels.

Nel received purchase order for alkaline electrolyser system

Nel has received a purchase order for an alkaline electrolyser system from a new, European customer. The value of the contract is approximately EUR 3.0 million. The equipment is expected to be delivered in 2022, with the first hydrogen production in 2023. The electrolyser will produce hydrogen that will be mixed with natural gas for combustion in a rotary kiln.

Herøya

Nel has expanded electrolyser production to accommodate large-scale projects by constructing a 500 MW fully automated manufacturing facility at Herøya, Norway. The factory represents the first industrial-scale production of the most efficient electrolysers on the market, at a game-changing low cost.

Installation and tests of installed equipment has been completed to plan in the third quarter of 2021. Initial production commenced in the fourth quarter as the operational team focused on tuning the line and verifying the high product quality. The capacity utilization will be closely aligned with commercial offtake.

The amount of expenditures recognised in the carrying amount for Herøya expansion in the course of construction is NOK 322.0 (114.0) million as of 31 December 2021 (NOK 50.1 million in Q4 2021). Total contractual commitments beyond December 2021 are NOK 11.6 million.

Subsequent events:

Nel received purchase orders for multiple PEM electrolysers from an innovation leader in sustainable food production in the U.S.

Nel Hydrogen US has received a contract for PEM electrolysis hydrogen production units to be delivered to a leader in the commercialization of sustainable protein technology. This application for green hydrogen is a novel and exiting approach to addressing both climate change and food production for the developing world. The purchase orders have a value of approximately USD 5.0 million, and deliveries of the equipment will be staggered over the remainder of 2022, and into 2023.

Nel receives a contract with a value of about 5 MUSD for containerized electrolyser and hydrogen refueling equipment from a leading power and gas utility in the U.S.

Nel Hydrogen US has received a contract for a containerised PEM electrolyser to be integrated with its 700 bar H2Station™ hydrogen fueling equipment package at a power generating site in the U.S. The project will demonstrate several use cases for green hydrogen, including cooling of the turbine generators, direct injection of hydrogen into the natural gas fuel stream at the plant, and for fueling a fleet of light duty fuel cell vehicles to be operated by the utility. The purchase order has a value of approximately USD 5.0 million, and the equipment will be delivered in late 2022 and early 2023.

Nel Hydrogen Fueling

Nel Hydrogen Fueling reported revenue and operating income of NOK 70.5 million in the fourth quarter 2021, a decline of 32% from NOK 103.5 million in the same quarter 2020. Nel is shifting focus from individual station orders to large multi-station contracts. Owing to the increased financial commitment and requirements, this is likely to lead to a more uneven order intake, and will require a longer and more resource-intensive negotiation period. Order intake has been lower than revenues during 2021, leading to falling revenues over the last few quarters.

EBITDA of NOK -64.4 million in the fourth quarter of 2021 has decreased from NOK -51.6 million in the same quarter in 2020. The reduction was mainly related to higher costs levels and lower margins as well as a general negative impact on operations due to Covid-19.

Nel Hydrogen Fueling has seen a large increase in the utilisation of many of the stations installed, enabling accelerated learnings and improvements both within product maturity and overall reliability. Fueling a hydrogen car needs to be as easy and reliable as fueling a gasoline or diesel vehicle. A hydrogen fueling station is a complex and relatively new technology and the hydrogen industry, incl. Nel, still works with maturing the technology as well as investing in service and maintenance, robustness and reliability. Nel will continue to incur costs related to these activities.

Employees in Nel Hydrogen Fueling has increased from 200 employees by the end of fourth quarter 2020 to 240 at the end of fourth quarter 2021, driven by increase in service technicians and development personnel.

Nel received purchase order for multiple H2Station™ hydrogen fueling station modules in the United States.

Nel Hydrogen Fueling has received a purchase order from a U.S.-based fuel supplier for multiple H2Station™ hydrogen fueling stations. The multiple station modules will be located in the United States and will expand the fueling coverage for hydrogen powered fuel cell electric light and heavy-duty vehicles. The H2Station™ units will be manufactured and installed during 2022 and 2023. The purchase order has a value exceeding USD 6.0 million.

Corporate developments

Organizational developments

On January 5, 2022, Nel announced the appointment of Håkon Volldal as new Chief Executive Officer (CEO), replacing the current CEO Jon André Løkke from July 1, 2022. Mr Løkke will continue as CEO until said time.

The Company's nomination committee states that is positive to proposing to the annual shareholders meeting in April 2022 that Jon André Løkke is elected as a board member of Nel ASA with effect from the date the CEO transition becomes effective.

To address the growing demand, need for expansion and increasing tender activity, Nel is making changes to the group management team. The changes will improve the focus and momentum within three critical areas of the Electrolyser division, namely (i) commercial development, (ii) project wins/execution and (iii) operational excellence and capacity expansion.

Finance

(unaudited amounts in NOK thousands)	Q4 2021	Q4 2020	2021	2020
Finance income				
Interest income	6 891	4 081	19 735	14 356
Change in fair value financial instruments	1 520	1 461 044	7 586	1 632 006
Other	87	6 412	954	29 205
Interest income and other finance income	8 498	1 471 537	28 276	1 675 567
Finance costs				
Interest expense	-1 119	-2 411	-9 932	-9 605
Capitalised interest	220	1 381	5 902	5 181
Net foreign exchange gain (loss)	-882	-48 210	-3 526	-11 967
Change in fair value financial instruments	-90 628	0	-1 120 776	0
Other	-295	-198	-893	-399
Interest expense and other finance costs	-92 704	-49 438	-1 129 224	-16 789
Net finance income (cost)	-84 206	1 422 098	-1 100 948	1 658 777

Nel reported finance income of NOK 8.5 million in the fourth quarter 2021, mainly consisting of interest income 6.9 million (4.1) from cash and cash equivalents and positive change in fair value of financial instruments of NOK 1.5 million (1 461.0).

Finance costs in the fourth quarter 2021 was NOK -92.7 million compared to -49.4 million in fourth quarter 2020. The increase in finance cost compared with fourth quarter 2020 is mainly due to a change in fair value of Nel's shareholding in Everfuel of NOK -83.3 million. Fourth quarter 2021 includes NOK 0.6 (-43.9) million in unrealised currency exchange gain (loss) resulting from revaluing internal loans.

Full year 2021

Nel reported net finance loss in of 2021 of NOK -1 100.9 million (2020: 1 658.8 million). The variance from net finance income in the prior year is mainly explained by the unrealised gain and loss on the shareholdings in Everfuel and Nikola Corporation. The higher cash balance during 2021 compared to 2020 has increased interest income of NOK 5.4 million.

Risks and uncertainty factors

Nel is exposed to risk and uncertainty factors, which may affect some or all the group's activities. Nel is exposed to financial, market and operational risk. In addition, there is risk related to technology, implementation and execution of current and future products, and the Covid-19 situation. There are no significant changes in the risks and uncertainty factors described in our Annual Report for 2020.

Outlook

Nel aims to capitalize on the developing opportunities within the hydrogen industry. Nel sees a rapidly increasing pipeline of opportunities. External and internal analyses support a market view that multiple gigawatts of electrolyser projects reaching final investment decision before 2025. Within electrolysers, the immediate opportunities are highest within industrial applications. Projects will likely come first in mature market near large hydrogen consumers, before large greenfield installations integrated with renewables gradually becoming the leading market segment. The increasing size of projects leads to a longer preparation and negotiation phase with significant paid and unpaid engineering work. For fueling applications, the market is shifting from individual station orders to larger framework contracts.

By leveraging our position as a technology front-runner, with a continued high focus on safety, global presence, cost leadership, strong financing and preferred-partner status for industry participants, we look forward to a future hydrogen landscape where Nel remains an important global player.

As communicated before, competition is intensifying as Nel and others are ramping up production capacity. In addition, Nel has continued to be negatively impacted by disruptions in the value chain and travel restrictions due to the Covid-pandemic. At the same time, raw material costs have increased. In combination all of this has put pressure on the margins and will continue to do so in the medium term.

To maintain and strengthen our leading position in the growing market for hydrogen applications, Nel will continue to invest to build scale and to develop the organization, and our fueling, alkaline and PEM technology platforms. By building sufficient and flexible capacity to accommodate multi-billion NOK orders, we intend to meet the accelerating demand for industrial and infrastructure applications of our products globally. Further organizational growth will be closely linked to increased order intake and tender activity.

Over time, Nel expects that increasing revenues will support cost reduction and scale effects leading to profitability. Our counterparties expect that Nel will be a financially strong and stable counterparty and partner as the global hydrogen market continues to expand, and contracts continue grow in size, scope and complexity.

Oslo, 16 February 2022

The Board of Directors

Ole Enger	Beatriz Malo de Molina	Charlotta Falvin
Chair	Board member	Board member
(Electronically signed)	(Electronically signed)	(Electronically signed)
Finn Jebsen	Hanne Blume	Tom Røtjer
Board member	Board member	Board member
(Electronically signed)	(Electronically signed)	(Electronically signed)
Jon André Løkke		
CEO		
(Electronically signed)		

Condensed interim financial statements

Consolidated statement of comprehensive income (unaudited)

(amounts in NOK thousands)	Note	Q4 2021	Q4 2020	2021	2020
Revenue and operating income					
Revenue from contracts with customers		235 705	205 459	753 096	558 601
Other operating income		12 412	23 622	44 905	93 280
Total revenue and operating income	3	248 117	229 081	798 001	651 881
Operating expenses					
Raw materials		189 161	149 628	551 695	393 982
Personnel expenses		140 053	94 790	472 010	329 402
Depreciation, amortisation and impairment	4, 5	29 041	43 059	107 616	162 952
Other operating expenses		86 559	80 904	249 533	180 042
Total operating expenses		444 813	368 382	1 380 854	1 066 378
Operating loss		-196 696	-139 301	-582 853	-414 497
Finance income		8 498	1 471 537	28 276	1 675 567
Finance cost		-92 704	-49 438	-1 129 224	-16 789
Share of loss from associates and joint ventures		-35	2 278	-35	1 242
Net financial items		-84 241	1 424 376	-1 100 983	1 660 020
Pre-tax income (loss)		-280 937	1 285 076	-1 683 836	1 245 523
Tax expense (income)		-11 450	-10 290	-16 984	-16 357
Net income (loss)		-269 487	1 295 366	-1 666 852	1 261 880
Items that are or may subsequently be reclassified to income statement:					
Currency translation differences		-9 246	-65 398	-7 108	18 151
Cash flow hedges, effective portion of changes in fair value		4 151	13 420	-3 086	14 050
Cash flow hedges, reclassified		-7 697	-4 814	-3 244	-1 820
Other comprehensive income		-12 792	-56 792	-13 438	30 380
Total comprehensive income		-282 279	1 238 573	-1 680 290	1 292 261
Basic EPS *(figures in NOK)* 1)		-0.18	0.92	-1.15	0.92
Diluted EPS *(figures in NOK)* 1)		-0.18	0.91	-1.15	0.91
Weighted average number of outstanding shares (million)		1 461	1 408	1 451	1 367

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

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

Consolidated statement of financial position (unaudited)

(amounts in NOK thousands)	Note	31.12.2021	31.12.2020
ASSETS			
Intangible assets	4	1 144 144	1 091 767
Property, plant and equipment	5	623 514	378 052
Other non-current assets		95 187	73 124
Total non-current assets		1 862 845	1 542 943
Inventories		328 465	237 129
Trade receivables		211 408	101 449
Contract assets		178 769	127 976
Other current assets		702 728	1 794 345
Cash and cash equivalents		2 722 769	2 332 854
Total current assets		4 144 139	4 593 753
TOTAL ASSETS		6 006 984	6 136 696
EQUITY AND LIABILITIES			
Shareholders' equity		5 038 705	5 468 316
Total equity		5 038 705	5 468 316
Deferred tax liability		48 543	55 144
Long-term debt		23 191	30 284
Lease liabilities		113 505	77 125
Other non-current liabilities		77 989	74 741
Total non-current liabilities		263 228	237 294
Trade payables		132 962	81 570
Lease liabilities		19 916	14 291
Contract liabilities		360 821	193 082
Other current liabilities		191 352	142 142
Total current liabilities		705 051	431 085
Total liabilities		968 279	668 379
TOTAL EQUITY AND LIABILITIES		6 006 984	6 136 696

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

Consolidated statement of cash flows (unaudited)

(amounts in NOK thousands)	Q4 2021	Q4 2020	2021	2020
Cash flow from operating activities				
Pre-tax income (loss) 1)	-280 937	1 285 076	-1 683 836	1 245 523
Depreciation, amortisation and impairment	29 041	43 059	107 616	162 952
Change in net working capital	38 696	-43 372	-5 719	-35 422
Other adjustments 2)	111 275	-1 378 680	1 132 481	-1 588 938
Net cash flow from operating activities	-101 926	-93 918	-449 458	-215 886
Cash flow from investment activities				
Purchases of property, plant and equipment	-74 631	-72 630	-258 283	-148 539
Payments for capitalised technology	-23 843	-23 750	-118 870	-83 659
Purchases of other investments 3)	-9 588	-1 242	-46 966	-57 880
Investments in other financial assets	0	0	-13 125	-12 998
Disposal of fixed assets	10 056	0	26 056	0
Investments in associates and joint ventures	0	0	-1 272	-567
Sale of subsidiaries, net of cash sold	0	-19 829	0	-19 829
Acquisition of subsidiaries, net of cash acquired	0	0	0	26 022
Proceeds from sales of other investments 3)	0	3 019	38 844	3 019
Net cash flow from investing activities	-98 007	-114 432	-373 616	-294 430
Cash flow from financing activities				
Interest paid 4)	-873	-1 022	-3 678	-4 411
Gross cash flow from share issues	2 101	4 846	1 255 103	2 383 259
Transaction costs connected to share issues	-40	-31	-15 562	-68 297
Proceeds from new loan	0	0	0	16 395
Payment of lease liabilities	-4 528	-3 024	-15 467	-10 915
Payment of non-current liabilities	-3 097	-582	-4 464	-2 320
Net cash flow from financing activities	-6 437	187	1 215 932	2 313 710
Foreign currency effects on cash	-1 264	-2 600	-2 943	3 478
Net change in cash and cash equivalents	-207 634	-210 762	389 915	1 806 872
Cash and cash equivalents beginning of period	2 930 403	2 543 616	2 332 854	525 982
Cash and cash equivalents	2 722 769	2 332 854	2 722 769	2 332 854

1) Q4 and Full year 2021 includes interests received of NOK 6.9 (4.1) million and NOK 19.7 (14.4) million, respectively.
2) Q4 2021 includes a negative fair value adjustment of the shareholding in Nikola Corporation of NOK -7.3 million (USD 9.87 per share as of December 31, 2021). The fair value adjustment was NOK -70.8 million in Q4 2020. In addition, Q4 2021 includes a negative fair value adjustment of the shareholding in Everfuel of NOK -83.3 million (a value of NOK 38.18 per share as of December 31, 2021). The fair value adjustment was positive with NOK 1 531.8 million in the fourth quarter 2020.
3) Other investments comprise bank deposits and advance payment guarantees with a maturity longer than three months at the date of purchase.
4) Interest paid includes interest expense on lease liabilities.

Consolidated statement of changes in equity (unaudited)

(amounts in NOK thousands)	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total equity
Equity as of 31.12.2019	244 421	2 089 418	-14	51 649	-538 855	1 846 618
Net income					1 261 880	1 261 880
Currency translation differences				18 151		18 151
Hedging reserve				12 230		12 230
Capital increase	37 139	2 277 822				2 314 961
Options and share program		65	-65		7 681	7 681
Other changes					6 795	6 795
Equity as of 31.12.2020	281 559	4 367 306	-79	82 029	737 501	5 468 316
Net loss					-1 666 852	-1 666 852
Currency translation differences				-7 108		-7 108
Hedging reserve				-6 330		-6 330
Capital increase	10 600	1 228 940				1 239 541
Options and share program		1	-1		9 485	9 485
Other changes					1 653	1 653
Equity as of 31.12.2021	292 160	5 596 248	-81	68 591	-918 213	5 038 705

Notes to the interim financial statements

Note 1 Organisation and basis for preparation

Corporate information

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

Nel (org. no 979 938 799) was formed in 1998 and is a Norwegian public limited company listed on the Oslo Stock Exchange. The group's head office is in Karenslyst allé 49, N-0278 Oslo, Norway. The condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 21 October 2021.

Basis for preparation

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). This financial information should be read together with the annual report for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those used in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2020.

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

Note 2 Significant estimates, judgements and assumptions

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

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

Judgements

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

Assumptions and estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to the annual report of 2020 for more details related to key judgements and estimation.

As a result of the outbreak of Covid-19 during the first half of 2020, all significant estimates and underlying assumptions have been reviewed in the light of this new situation. Nel has focused on the estimates related to expected credit loss on trade receivables and contract assets, reviewing credit risk and risk of default including the loss given default. Nel has not identified any significant Covid-19 related impact to these condensed consolidated financial statements as of 31 December 2021.

Note 3 Segments

Nel identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Nel to identify its segments according to the organisation and reporting structure used by management. See Nel's Annual Report 2020 note 2.3 Segment information for a description of Nel's management model and segments, including a description of Nel's segment measures and accounting principles used for segment reporting.

The executive management group is the chief operating decision maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Nel operates within two operating segments, Nel Hydrogen Electrolyser and Nel Hydrogen Fueling. For more information on the segment’s operation, see section ‘Nel in brief’ on pages 6-7.

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

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

(amounts in NOK thousands)	Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
Revenue and operating income						
Nel Hydrogen Electrolyser	177 575	125 615	41%	466 246	337 537	38%
Nel Hydrogen Fueling	70 542	103 466	-32%	331 754	314 344	6%
Total	248 117	229 081	8%	798 001	651 881	22%
EBITDA						
Nel Hydrogen Electrolyser	-70 238	-20 567		-209 681	-84 164	
Nel Hydrogen Fueling	-64 356	-51 599		-168 967	-106 936	
Corporate [1]	-33 061	-24 076		-96 589	-60 445	
Total	-167 655	-96 241		-475 236	-251 545	
Investments [2]						
Nel Hydrogen Electrolyser	87 106	84 382	3%	318 501	183 400	74%
Nel Hydrogen Fueling	11 368	11 999	-5%	71 778	61 796	16%
Total	98 474	96 381	2%	390 279	245 196	59%
Total assets [3]						
Nel Hydrogen Electrolyser	1 842 253	1 256 306	47%			
Nel Hydrogen Fueling	1 038 376	883 814	17%			
Corporate	3 126 354	3 996 576	-22%			
Total	6 006 984	6 136 696	-2%			

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

Property, Plant and Equipment by geographical area		Full year	
(amounts in NOK thousands)	31.12.2021	31.12.2020	Change
Norway	461 994	210 548	119%
Denmark	106 262	114 489	-7%
USA	49 919	48 622	3%
South Korea	5 339	4 392	22%
Total	623 514	378 052	65%

Note 4 Intangible assets

(amounts in NOK thousands)	Goodwill	Technology	Customer relationship	Total
Carrying value of 01.01.2021	619 731	427 341	44 695	1 091 767
Additions	0	118 870	0	118 870
Reclassification	0	1 118	0	1 118
Amortisation	0	-52 918	-12 278	-65 196
Currency translation differences	-4 547	2 167	-36	-2 415
Carrying value as of 31.12.2021	615 184	496 579	32 381	1 144 144

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

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

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

Note 5 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets

(amounts in NOK thousands)	Land, buildings and equipment	Right-of-use assets	Total
Carrying value of 01.01.2021	302 106	75 946	378 052
Additions	264 186	15 155	279 340
Remeasurements	0	35 992	35 992
Disposals	-23 558	0	-23 558
Depreciation	-21 750	-16 170	-37 920
Impairment	-4 500	0	-4 500
Currency translation differences	-4 168	275	-3 893
Carrying value as of 31.12.2021	512 316	111 198	623 514

Note 6 Equity instruments

Nikola Corporation

(amounts in thousands)	Shareholding[1)]	Fair value USD/per share	USD value[2)]	USD/NOK	Book value
Carrying value of 01.01.2020	582 073	8.59	5 000	8.78	43 902
Fair value adjustment 2020	524 447	6.67		-0.25	100 176
Carrying value of 01.01.2021	1 106 520	15.26	16 885	8.53	144 077
Fair value adjustment Q1 2021	0	-1.37		-0.01	-13 053
Fair value adjustment Q2 2021	0	4.17		0.03	40 021
Fair value adjustment Q3 2021	0	-7.39		0.22	-67 397
Fair value adjustment Q4 2021	0	-0.80		0.04	-7 328
Carrying value as of 31.12.2021	1 106 520	9.87	10 921	8.82	96 320

1) Nel received 1.901 shares in Nikola Corporation per share in Nikola Motor Company Inc. as share consideration following the listing of Nikola on Nasdaq on June 4, 2020
2) Acquisition cost of USD 5.0 million.

Everfuel

(amounts in thousands)	Shareholding	Acquisition cost NOK/per share	Fair value NOK/per share	Book value
Carrying value of 01.01.2020	11 940 000	0.14		2 468
Share of loss from equity accounted investees				-739
Private placement 21.10.2020	398 624	22.00		8 770
Fair value adjustment 2020				1 531 830
Carrying value of 01.01.2021	12 338 624	0.91	125.00	1 542 328
Private placement 21.01.2021	20 485	125.00		2 561
Fair value adjustment Q1 2021			-37.67	-465 568
Fair value adjustment Q2 2021			-17.23	-212 947
Fair value adjustment Q3 2021			-25.18	-311 202
Fair value adjustment Q4 2021			-6.74	-83 300
Carrying value as of 31.12.2021	12 359 109	1.12	38.18	471 871

1) The Everfuel shares was subject to a lock-up that expired on October 29, 2021.

Alternative Performance Measures

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

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

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

Nel's financial APMs

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

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

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

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

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

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