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Nel ASA: Third quarter 2022 financial results

(Oslo, 20 October 2022) Nel ASA (Nel, OSE:NEL) reported revenues of NOK 183 million in the third quarter of 2022, down from NOK 229 million in the same quarter of 2021. Third quarter order intake was NOK 775 million, up 456% from the same quarter last year, heavily impacted by the 200MW, EUR 45 million, purchase order from an undisclosed US customer. At the end of the third quarter the order backlog was 2 103 million, up 107% from Q3 2021. Subsequent to the quarter Nel announced another record, signing a NOK 600 million contract with Woodside Energy for its first hydrogen project in the US.

Quarterly highlights

- Nel ASA (Nel) reported revenue and operating income in the third quarter 2022 of NOK 183 million, down 20% from the third quarter 2021 (Q3 2021: 229). The decline was driven by lower sales in Fueling and PEM electrolyzers whereas alkaline electrolyzers experienced strong growth.
- Order intake in the quarter amounted to NOK 775 million (88% from electrolyser), up 456% from the same quarter last year (Q3 2021: 139).
- At quarter end, Nel had a record high order backlog of NOK 2 103 million (80% related to electrolyser), up 107% from the third quarter of 2021, and up 46% compared to the previous quarter.
- EBITDA of NOK -214 million (Q3 2021: -113) driven by high losses in Fueling, low margins on electrolyser projects signed in 2020/2021 and increased personnel expenses to prepare for large-scale projects
- Strong cash balance of NOK 3 520 million (Q3 2021: 2 930).
- Subsequent to the quarter,
 - Nel has received approximately USD 6 million in funding from US Department of Defence for accelerating advanced PEM electrolyser stack development
 - Nel has received a new NOK 600 million contract in the U.S. from Woodside Energy for alkaline electrolyser equipment.

“We are truly excited about the recent developments with the signings of two record size contracts in a very short time period”, says Nel’s CEO, Håkon Volldal.

“As our clients are increasingly worried about electrolyser production capacity from quality producers, the market balance is moving in Nel’s favour. We are now able to negotiate better terms and conditions, a trend we foresee to continue going forward”, Volldal says.

US is becoming an important market for green hydrogen production, mainly due to favourable framework conditions following President Biden’s Inflation Reduction Act (IRA), which is now accelerating final investment decisions (FID). The electrodes Nel will deliver to the recently signed large-scale projects will be produced in the Herøya facility in Norway – the only fully automated electrolyser manufacturing facility in the world.

“Having a proven and fully automated production concept gives Nel a huge advantage as it allows for future-proof scaling at speed. This is key to meeting the rapidly growing market demand” Volldal says.

Nel is well underway finding a suited site in the US for PEM and Alkaline electrolyser production and expects to conclude the site selection process within H1 2023.

Revenues in Q3 2022 of NOK 183 million were flat from Q2 2022, while down from NOK 229 million in Q3 2021. This was mainly caused by reductions in both Fueling and for PEM electrolyzers, while alkaline electrolyzers experienced high growth. In Fueling the low order intake in previous quarters combined with supply chain challenges resulted in low sales of new fueling stations. For PEM electrolyzers, the order intake has been good for smaller systems, but actual deliveries and revenue recognition has slowed down due to long lead times on certain components.

EBITDA decreased from same quarter last year. In addition to lower revenues in Fueling and PEM electrolyzers and higher personnel expenses, the EBITDA was negatively impacted by high quality costs in Fueling, increased raw materials expenses and supply chain challenges.

EBITDA and other alternative performance measures (APMs) are defined and reconciled to the IFRS financial statements as a part of the APM section of the third quarter 2022 report on page 21.

Note that Nel has decided to increase its value threshold for stock exchange notices when receiving firm purchase orders or grants. The current value threshold of about EUR 2 million has been increased to about EUR 5 million.

The third quarter 2022 report and presentation are enclosed and available on www.newsweb.no (Ticker: NEL) and www.nelhydrogen.com. The presentation will be a virtual event only, followed by a Q&A session. The live presentation can be accessed on the company's website www.nelhydrogen.com or by following this [link](#). A recording of the presentation will be publicly available following the event.

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For additional information, please contact:

Kjell Christian Bjørnsen, CFO, +47 917 02 097

Wilhelm Flinder, Head of Investor Relations, +47 936 11 350

About Nel ASA | www.nelhydrogen.com

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. Since its origins in 1927, Nel has a proud history of development and continual improvement of hydrogen plants. Our hydrogen solutions cover the entire value chain from hydrogen production technologies to manufacturing of hydrogen fueling stations, providing all fuel cell electric vehicles with the same fast fueling and long range as conventional vehicles today.

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