Nel ASA

Q2 2019 interim report

Highlights of the quarter

- Nel ASA (Nel) reports revenues in the second quarter 2019 of NOK 122.5 million, down from NOK 135.8 million in the second quarter 2018 and in line with company outlook
- All time high order backlog of NOK 568 million at the end of the quarter. The backlog does not include any orders under the Nikola supply contract
- Subsequent offering of 12.5 million new shares, raising NOK 68.1 million in proceeds completed
- Cash balance of NOK 697.7 million (Q2 2018: 478.7)
- Received order of USD 7 million from Shell for two H2Stations® for heavy-duty fueling in California
- Received purchase order for a 4.5 MW alkaline electrolyzer solution from Hybrit Development AB
- Received a EUR 8 million purchase order for six H2Station® hydrogen fueling stations in Korea
- Received first hydrogen fueling station order for Canada
- Received order for H2Station® solution for hydrogen buses in London
- Established a consortium to commercialize fuel cell electric buses in Europe
- Received grant of USD 2 million to develop mass manufacturing processes of key electrolyzer components
- An incident occurred at the Kjørbo hydrogen station, located outside of Oslo, Norway. The root cause of the incident was identified as an assembly error of a specific plug in a hydrogen tank in the high-pressure storage unit. Following the identification of the root cause, Nel initiated an inspection and integrity verification program for all high-pressure storage units with similar plugs. A provision of NOK 35.0 million to cover estimated cost related to the incident, net of estimated insurance coverage, has been booked in the second quarter 2019. See later in report for more information

Subsequent events

- Launched new product, the A1000 alkaline electrolyzer
- Closed agreements with Everfuel and signed an exclusive equipment sales and service agreement
- Nel proposed for USD 2 million funding for fueling of heavy-duty hydrogen vehicles with Nikola
- Signed collaboration agreement with Yara to develop a green and efficient ammonia and fertilizer production based on a next generation pressurized alkaline electrolyzer
- Invests EUR 0.8 million in HyNet and receives purchase order for two hydrogen fueling stations in Korea, with a value of EUR 2.7 million
- Secures location for low-cost electrolyzer manufacturing with infrastructure allowing for more than 1GW/year capacity at Herøya

Key figures

(unaudited amounts in NOK million)	Q2 2019*	Q2 2018	Q1-Q2 2019*	Q1-Q2 2018	Full year 2018
Operating revenue	122.5	135.8	244.9	248.2	489.0
Operating expenses	213.3	173.0	387.7	317.3	685.1
EBITDA excl. Kjørbo provision	-37.6	-20.6	-72.5	-36.4	-131.6
EBITDA	-72.6	-20.6	-107.5	-36.4	-131.6
Operating loss	-90.7	-37.2	-142.8	-69.1	-196.1
Pre-tax loss	-94.7	-41.5	-147.9	-74.4	-197.5
Net loss	-92.8	-38.8	-144.2	-69.0	-188.9
Net cash flow from operating activities	-81.4	-22.6	-112.8	-60.5	-142.6
Cash balance end of period	697.7	478.7	697.7	478.7	349.7

** The numbers for the first half of 2019 include effects of IFRS 16 and comparative figures have not been re-stated*

Financial development

Nel reports revenues in the second quarter 2019 of NOK 122.5 million (Q2 2018: 135.8 million), following growth in the Fueling segment of 19%, while the development in the Electrolyser segment was negative by 26% compared to the same quarter last year.

At the end of the second quarter 2019, Nel had an all-time high order backlog of NOK 568 million. The order backlog does not at this stage include electrolyzers and associated fueling equipment for Nikola as part of its development of a commercial hydrogen station infrastructure in the US for truck and passenger vehicles.

EBITDA excluding cost from the Kjørbo provision ended at -37.6 (-20.6) while EBITDA ended at -72.6 (-20.6). The EBITDA margin excluding the Kjørbo provision was -30.7% (-15.2%) while the EBITDA margin was -59.3% (-15.2%).

The main part of the high cost level in the quarter was the provision of NOK 35.0 million to cover estimated cost related to the Kjørbo incident, net of estimated insurance coverage. The provision shall cover cost related to investigations, stations inspections and retrofit, site clean-up, station replacement and other non-recurring costs. The extent of insurance coverage and other issues will impact the final costs.

There are also higher wage and social costs and other operating costs, mainly due to high level of business development- and sales activities, and considerable ramp-up activities throughout Nel. The organization is generally prepared for a higher revenue level. At the end of the quarter, 274 people were employed in Nel compared 216 at the end of the same quarter in 2018.

The non-cash costs for the stock option- and share incentive program, which are included in wages and social costs, were NOK 2.3 million in the quarter.

Depreciation was NOK 18.1 million (16.7) in the second quarter of 2019. The depreciation is mainly related to excess values derived from acquisitions and depreciation of intangible and tangible assets that have increased from second quarter 2018.

Operating loss amounted to NOK -90.7 million (-37.2) in the period.Net financial items amounted to an expense of NOK 4.0 million, mainly due to currency loss and partly offset by interest income. Share of loss from joint ventures and associates is mainly due to loss from Uno-X Hydrogen AS and Hyon AS.

Pre-tax loss was NOK -94.7 million (-41.5) in the second quarter of 2019 and the net loss was NOK -92.8 million, compared to a loss of NOK -38.8 million in the same quarter of 2018.

Total assets were NOK 2 419.9 million at the end of the second quarter of 2019, compared to NOK 1 944.4 million at the end of 2018, mainly due to an increase of cash. Total equity was NOK 1 931.7 million. Thus, the equity ratio was 80 percent.

Net cash flow from operating activities in the first quarter of 2019 was NOK -81.4 million, compared to NOK -22.6 million in the same quarter in 2018. The negative development is mainly due to the EBITDA excluding the Kjørbo provision of NOK -37.6 million and an increase of net working capital of NOK 41.1 million in the quarter. The increase in net working capital is due to an increase in inventory levels in the Electrolyser segment as well as an increase of trade receivables in the fueling segment. Net cash flow from investing activities was NOK -27.4 million (-20.7).

Nel's cash balance at the end of the second quarter of 2019 was NOK 697.7 million. The increase from the cash balance at 31 December 2018 is due to net proceeds of NOK 513.0 million from the capital increase in February 2019 and the subsequent offering in April 2019.

First half of 2019
Nel reported revenues in the first half of 2019 of NOK 244.9 million (1H 2018: 248.2 million). Operating expenses increased to NOK 387.7 million (317.3), resulting in an EBIT of NOK -142.8 million (-69.1) and a net loss of NOK -144.2 (-69.0).

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 gas companies with leading hydrogen technology.

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

Our hydrogen solutions cover the 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.

Nel has reorganized from three to two business segments and will report the former business segment Nel Hydrogen Solutions as an integrated part of Nel Hydrogen Fueling.

Nel Hydrogen Electrolyser

Production and installation of electrolyzers for hydrogen production.

Nel Hydrogen Electrolyser is the world's largest electrolyzer producer, covering both alkaline and PEM (proton exchange membrane) technology globally. The company has its roots back to 1927, when Norsk Hydro developed large-scale electrolyzer plants, providing renewable hydrogen for use in ammonia production with fertilizer as the end-product. Since then, the electrolyzer technology has been improved continuously, delivered across the world, and has set the industry standard.

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 PV solar panels, and so forth.

Of the total global hydrogen market, only 1% of the hydrogen comes from water electrolysis. This is however about to change, and electrolysis is expected to grow its market share, mainly driven by the decreasing cost of renewable energy, increased share of intermittent (wind and solar) energy, decreasing cost of electrolyzers, 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 the transport sector, a way of decarbonizing the natural gas grid, and as a replacement of coal in the metal industry. The process of converting renewable electricity to hydrogen, and utilizing it both in existing and new hydrogen markets, is referred to as "power-to-X", were X refers to the various applications mentioned above.

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

Nel Hydrogen Electrolyser began commercial sales of electrolyzers in the 1970s and has since delivered more than 3 500 electrolyzer units in 80 countries across the world. The company has manufacturing facilities in Notodden, 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 the world's largest product portfolio of alkaline and PEM electrolyzers, and is continuously developing and improving both technologies. Initiatives include a next generation large scale, pressurized alkaline electrolyzer 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 electrolyzers, Nel has also decided to significantly increase its manufacturing capacity. As a result of the capacity expansion, cost reductions will be achieved that are important in making renewable hydrogen cost competitive with fossil hydrogen and fossil fuels.

Reduced cost and new electrolyzer technology offerings should enable Nel to penetrate new markets, as well as increase its competitiveness in existing ones, and gradually replace various fossil solutions for hydrogen production that the world is currently relying on.

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 few global leaders on fast fueling stations for FCEVs. The H2Station® technology is now being installed in several European countries as well as in South-Korea and in California, U.S., providing hydrogen fueling for FCEVs from major car manufacturers, as well as forklifts, buses and trucks.

Nel Hydrogen Fueling was among the first to achieve fast fueling of hydrogen in compliance with the international fueling standard (SAE J2601) required by major car manufacturers. With the H2Station® technology the ambition is to maintain the position as a preferred supplier for international hydrogen fueling infrastructure operators.

In 2018, Nel opened the new Nel H2Station® manufacturing plant in Herning, Denmark. It has an annual production capacity of 300 hydrogen stations per year. Combining technology innovations with increased manufacturing capacity should enable Nel to further reduce the cost of hydrogen fueling station equipment.

Our target is to deliver fueling solutions that will enable hydrogen to outcompete fossil fuels for an increasing number of applications, and to become a preferred fuel alternative. Seeing increased activities in the heavy-duty segment has encouraged Nel to step up technology developments, and to launch new products, better suited for heavy-duty applications.

All in all, these activities will support the overall vision of Nel: *"empowering generations with clean energy forever"*.

Developments

Nel Hydrogen Electrolyser

Nel Hydrogen Electrolyser recorded revenues of NOK 64.5 million in the second quarter 2019, down by 26% from NOK 87.1 million in the second quarter of 2018. The reason is a lower level of revenues related to megawatt PEM electrolyzers in the second quarter compared to the same period last year.

4.5 MW alkaline electrolyzer for fossil free steel pilot

Nel received a purchase order for a 4.5 MW alkaline electrolyzer solution from Hybrit Development AB, a Swedish joint venture owned by SSAB, LKAB and Vattenfall.

The solution will be used for a pilot production unit for fossil free steel production.

The pilot plant for fossil free steel production will operate in Luleå, Sweden from 2021-2024, followed by a demonstration phase, with target of full-scale implementation by 2035. The parties decided not to disclose the value of the contract for the pilot plant.

Hybrit aim's to develop the world's first fossil free ore-based steelmaking technology, where coal will be replaced by fossil-free hydrogen. The steel industry is one of the highest carbon emitting industries and accounts for up to 7% of global CO_2-emissions.

If successful, the Hybrit project can lead to a reduction of Sweden's CO_2 emissions by 10% and will consume approximately 15 TWh of fossil-free electricity.

Awarded grant to develop mass manufacturing processes of key electrolyzer components

Nel also announced its participation in the US Department of Energy's (DOE) Electrolyzer Manufacturing R&D Program. The purpose of the program is to perform research advancing new fabrication methods, including roll-to-roll manufacturing, for electrolyzer membrane electrode assembly (MEA). Such improvements would allow for material reductions and performance increases.

The grant of approximately USD 2 million is provided by the DOE's Fuel Cell Technologies Office (FCTO) within the Office of Energy Efficiency and Renewable Energy (EERE). Besides Nel, the project team includes US national labs and other companies with competencies and equipment to support the project.

Nikola

Nel has been awarded a framework contract for delivery of 1000 MW of electrolysis (448 electrolyzers) and associated fueling equipment to Nikola. Under the multi-billion NOK framework contract Nel will deliver up to 1 GW of electrolysis plus fueling equipment. The value of these deliverables is currently not included in the reported order backlog, as exact timing and station design per site is still under discussion.

The first demo station has been reopened after the closing of the quarter, following the Kjørbo incident, and is currently fueling both cars as well as the Nikola trucks that were launched at the Nikola World Event in April. The next demo station is expected to be installed later in 2019.

Nikola and Nel continue the work to define details in longer-term station roll out plan, and it may still take some time to finalize POs related to full scale commercial stations.

Launched containerized large-scale PEM electrolyzer

Nel launched the M Series containerized Proton PEM electrolyzer. The containerized version of the M Series will be delivered as standard 1 and 2 MW (200 and 400 Nm^3/hr) configurations. Scaling up from the 1 MW platform to the 2 MW platform and allowing multiple units to be integrated easily in the field was a key consideration during the development.

In response to several requests, combined with decreased prices as a result of increased

competition, Nel is already evaluating to step-up development efforts in this area.

Nel Hydrogen Fueling

Nel Hydrogen Fueling recorded revenues of NOK 58.0 million in the second quarter of 2019, up by 19% from NOK 48.7 million in the second quarter of 2018. The main reason is a higher level of siting and installation revenues.

Additional stations to Shell

Nel received another purchase order for the delivery of two H2Station® units for fueling of heavy-duty fuel cell electric trucks in California from EQUILON Enterprises LLC (d/b/a/ Shell Oil Products US).

The purchase order is issued under the previously announced framework agreement between Nel and Shell Global Solutions International B.V.

The purchase order has a total value of more than USD 7 million. The stations will be in the greater Los Angeles area and expand the fueling coverage for hydrogen powered heavy-duty fuel cell electric trucks. Initially these stations will serve trucks delivered by Kenworth in cooperation with Toyota.

Additional Korea purchase order

Nel received two purchase orders for a total of six H2Station® hydrogen fueling stations from Korea Gas Technology Corporation (KOGAS-Tech).

The value of the purchase orders is approximately EUR 8 million, and the H2Station® units are scheduled to be installed in Chungbuk province and Pyeongtaek city.

First station purchase order for Canada

Nel received a purchase order for the delivery of a H2Station® fueling station from Hydrogen Technology & Energy Corporation (HTEC). The H2Station® will be installed in Vancouver, British Columbia and will help expand the growing hydrogen fueling network for fuel cell electric vehicles in Canada.

Receives purchase order for H2Station® solution for hydrogen buses in London

Nel received a purchase order for a H2Station® solution from London Bus Services Limited. The station will provide fuel to 20 hydrogen buses operating in London.

The purchase order has a total value of approximately EUR 2.5 million including 10-years of service and maintenance. The station, which will be installed in 2020, will service a fleet of 20 hydrogen fuel cell buses at Metroline's Perivale bus depot. Currently, London has 9 000 buses in operation, and plans to make all buses in London zero emission by 2037.

Corporate developments

Capital increase, subsequent offering

In April Nel raised NOK 68.1 million in gross proceeds in a subsequent offering of 12.5 million new shares, at the same price of NOK 5.45 per share as in the private placement in the first quarter. The offering followed the NOK 462.7 million private placement in february 2019.

The net proceeds will be used for continued investment in development and innovation across all Nel segments and technologies and to take advantage of the attractive market opportunities, including:

- Upgrade of existing H2Station® technology to better accommodate heavy-duty vehicle applications
- Development of high capacity cooling/compression technologies to accommodate future Nikola stations as well as other future HDV applications
- Development of next generation electrolyzer technology for industrial applications, such as ammonia, refineries, etc.
- Additional working capital requirements as a results of increased order volumes and improved positioning in high growth markets
- General corporate purposes

Consortium to commercialize fuel cell electric buses in Europe established

Nel, Ballard Power Systems Inc., Hexagon Composites ASA, Wrightbus Ltd., Ryse Hydrogen Ltd. and Everfuel Europe A/S (Everfuel) announced the establishment of H2Bus Consortium, an ambitious consortium to implement commercial fuel cell electric buses throughout Europe.

As part of the project, Everfuel, incorporated by Nel, will own and operate the hydrogen value chain, and purchase equipment exclusively from Nel. For more information, see subsequent events section.

The Kjørbo incident

On Monday June 10, 2019, an incident occurred at the Kjørbo hydrogen station, located outside of Oslo, Norway.

The root cause of the incident was identified as an assembly error of a specific plug in a hydrogen tank in the high-pressure storage unit.

Following the identification of the root cause, Nel initiated an inspection and integrity verification program for the high-pressure storage units with similar plugs, particularly related to stations in Europe.

The investigation from safety consultancy Gexcon shows that the incident began with a hydrogen leak from a plug in one of the tanks in the high-pressure storage unit. This leak created a mixture of hydrogen and air that ignited.

Nel has since the incident conducted an inspection and integrity verification program for the high-pressure storage units with similar plugs. Additionally, Nel has initiated a program outlining new assembly, verification, and documentation procedures for all similar products.

Previous generation stations, as well as US and Korea stations, have a different concept and design for the high-pressure storage units. As such, a leakage of the kind experienced at Kjørbo cannot occur at these stations.

Subsequent developments

Launched the A1000 electrolyzer

Nel launched the A1000 alkaline electrolyzer. The A1000 builds on the industry leading A-Range atmospheric alkaline platform, and comes in the size range of 600 to 970 Nm^3/h, allowing for flexible scale-up according to customer demand

Proposed for an award on project regarding fueling of heavy-duty hydrogen vehicles

Nel was selected by the Department of Energy (DOE) for negotiations on USD 2 million funding for development of hydrogen compression technology for fueling of heavy-duty vehicles. The proposed funding will be shared between Nel and Nikola.

The purpose of the proposed project is to further develop hydrogen compression technology to better cater for heavy duty vehicles through greater capacity and cost reductions. Nel will collaborate with Nikola on the project, targeting the market deployment of hydrogen fueled zero emission heavy duty trucks currently being pursued by both companies.

Closes agreements related to Everfuel and signs sales and service agreement

Nel finalized agreements related to the ownership structure in Everfuel, including the signing of an exclusive equipment sales and service agreement.

As a part of the agreement, Everfuel signed a long-term exclusive contract with Nel for delivery of H2Stations and electrolyzers with a potential value up to EUR 100 million. An expected equity of EUR 8 million is needed to finance Everfuel first activities in the CEF funded H2BusEurope project. Nel will invest 20%, while E.F. Holding, controlled by Jacob Krogsgaard will invest 80%.

Collaboration agreement with Yara related to green fertilizer project

Nel signed a collaboration agreement with Yara International, related to the previously announced PILOT-E funded green fertilizer project.

The ambition of the project is to realize zero-emission fertilizer production using innovative solutions and cost-efficient hydrogen production from electrolysis based on renewable energy. The next-generation, pressurized alkaline electrolyzer developed by Nel will be installed at the Yara facilities in Porsgrunn for piloting in an industrial environment and will have a capacity of approximately 5 MW. After the project, subject to certain criteria, ownership of the electrolyzer will be transferred to Yara for continued operation in the pilot plant.

Invests in HyNet and receives purchase order for two hydrogen fueling stations in Korea

Nel Korea has made an investment in Hydrogen Energy Network Co., Ltd. (HyNet), and simultaneously received a purchase order for two H2Station® hydrogen fueling stations in Korea.

The investment in HyNet is approximately EUR 0.8 million, and the value of the purchase order is around EUR 2.7 million. HyNet is a special purpose company established to roll out 100 hydrogen fueling stations in Korea by 2022, as part of the national ambition in Korea to have more than 300 stations operational by the same year.

Secures location for low-cost electrolyzer manufacturing

Nel announces that the company has secured a new location in Herøya Industrial Park (Herøya) for the planned expansion of manufacturing capacity of alkaline electrolyzers. Functions other than production will continue at Notodden. The new location at Herøya provides a number of benefits, including a potential to further expand capacity to more than 1 GW/year.

The initial target capacity is 360 MW/year. With current, planned setup, the new premises at Herøya allows for a capacity of more than 1 GW/year.

Nel is currently also examining opportunities to make an even more advanced production line and manufacturing process, which will have the potential to increase capacity significantly beyond 1 GW.

Risks and uncertainty factors

Nel is exposed to risk and uncertainty factors, which may affect some or all of the group's activities. Nel is exposed to financial, market and operational risk. In addition, there is risk related technology, implementation and execution of current and future products. There are no significant changes in the risks and uncertainty factors described in our Annual Report for 2018.

Responsibility statement

We confirm to the best of our belief that the financial statements for the first half of 2019, which have been prepared in accordance with IAS 34 – Interim Reporting, give a true and fair view of the company's assets, liabilities, financial position and results of operation.

Outlook

As one of the leading players in the hydrogen industry, Nel is positioned to play an important role in the fast-growing hydrogen market. Nel offers the complete range of electrolyzers, as well as state-of-the-art fueling stations for all types of fuel cell electric vehicles, and targets to maintain this unique position.

Nel aims to capitalize on the emerging opportunities within power-to-X and hydrogen fueling, leveraging on continued technology and safety leadership, global presence, cost leadership, and preferred-partner status for industry participants.

Nel will continue to pursue growth initiatives and focus on long term high value orders – which in the short term will have a negative impact on Nel's ability to deliver positive EBITDA.

Key areas of focus include:

- Continued development of state-of-the art safety solutions and processes
- Development of x10 electrolyzer factory expansion to support deliveries to Nikola and other customers
- Leveraging the fast-growing Heavy Duty Vehicle (HDV) opportunities
- Developing next generation electrolyzer technology for industrial applications, such as fossil free ammonia and steel production
- Pursue significant tender activities for larger projects for electrolyzers and H2Stations
- Continue to develop the Nel organization

Oslo, 28 August 2019

The Board of Directors

Ole Enger	Hanne Skaarberg Holen	Beatriz Malo de Molina
Chair	Board member	Board member
(Sign)	(Sign)	(Sign)
Mogens Filtenborg	Finn Jebsen	Hanne Blume
Board member	Board member	Board member
(Sign)	(Sign)	(Sign)
Jon André Løkke		
CEO		
(Sign)		

Condensed interim financial statements

Consolidated statement of comprehensive income (unaudited)

(amounts in NOK thousands)	Note	Q2 2019	Q2 2018	Q1-Q2 2019	Q1-Q2 2018	Full year 2018
Operating Income						
Sales income		116 208	128 487	230 045	238 035	453 187
Other operating income		6 334	7 283	14 902	10 189	35 861
Total operating income	4	122 542	135 770	244 947	248 224	489 049
Operating expenses						
Cost of goods sold		68 673	82 729	144 531	141 229	298 545
Wages and social costs		58 368	43 136	111 872	85 642	182 726
Depreciation	5, 6	18 098	16 653	35 290	32 730	64 470
Other operating costs	7	68 131	30 480	96 007	57 709	139 369
Total operating expenses		213 270	172 997	387 700	317 310	685 110
Operating loss		-90 728	-37 227	-142 752	-69 086	-196 061
Financial income		1 511	732	3 594	1 835	4 818
Financial expenses		4 395	3 460	6 269	4 333	1 529
Share of loss from associates and joint ventures		1 073	1 593	2 441	2 820	4 731
Net financial items		-3 957	-4 321	-5 116	-5 318	-1 442
Pre-tax loss		-94 685	-41 548	-147 868	-74 404	-197 503
Tax expense (income)		-1 854	-2 737	-3 696	-5 453	-8 676
Net loss		-92 831	-38 811	-144 172	-68 950	-188 827
Items that may subsequently be reclassified to income statement:						
Currency translation differences, net of tax		-1 816	19 497	-20 217	-16 711	31 356
Total comprehensive income		-94 648	-19 314	-164 389	-85 662	-157 471
Basic EPS *(figures in NOK)* 1)		-0.077	-0.039	-0.121	-0.069	-0.179
Diluted EPS *(figures in NOK)* 1)		-0.075	-0.038	-0.119	-0.068	-0.176
Weighted average number of outstanding shares (million)		1 213	1 000	1 188	999	1 052

1) Basic 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	Q2 2019	2018
ASSETS			
Intangible assets	5	1 078 776	1 100 029
Property, plant and equipment	6	178 424	135 383
Other non-current assets		78 553	72 333
Total non-current assets		1 335 753	1 307 746
Inventories		177 095	134 804
Trade receivables		167 872	108 659
Other receivables		41 545	43 445
Cash and cash equivalents		697 651	349 747
Total current assets		1 084 164	636 655
TOTAL ASSETS		2 419 917	1 944 401
EQUITY AND LIABILITIES			
Shareholders' equity		1 931 668	1 578 978
Total equity		1 931 668	1 578 978
Deferred tax liability		64 222	69 481
Non-current interest bearing debt		30 364	32 026
Other non-current liabilities		99 237	74 434
Total non-current liabilities		193 823	175 942
Accounts payable		67 537	69 473
Other current liabilities		226 889	120 008
Total current liabilities		294 426	189 481
Total liabilities		488 249	365 423
TOTAL EQUITY AND LIABILITIES		2 419 917	1 944 401

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

Consolidated statement of cash flows (unaudited)

(amounts in NOK thousands)	Q2 2019	Q2 2018	Q1-Q2 2019	Q1-Q2 2018	Full year 2018
Cash flow from operating activities					
Pre-tax loss	-94 685	-41 548	-147 868	-74 404	-197 503
Depreciation	18 097	16 653	35 289	32 730	64 470
Change in net working capital	-41 130	-5 966	-34 919	-25 600	-19 450
Other adjustments*	36 316	8 250	34 650	6 740	9 914
Net cash flow from operating activities	-81 401	-22 611	-112 848	-60 534	-142 568
Cash flow from investment activities					
Acquisitions of tangible and intangible assets	-22 433	-13 914	-43 569	-43 311	-94 513
Cash outflow investments in other financial assets	0	0	0	0	-42 131
Cash outflow loan given to associated companies/ joint ventures	-5 000	-5 736	-5 000	-9 636	-9 796
Acquisitions of associated companies/ joint ventures	0	-1 036	0	-1 938	-3 478
Acquisitions of subsidiaries	0	0	0	0	-6 883
Acquistion of subsidiaries cash balance	0	0	0	0	13 342
Net cash flow from investing activities	-27 433	-20 685	-48 569	-54 885	-143 458
Cash flow from financing activities					
Interest paid	-2 095	-203	-2 256	-231	-704
Interest received	1 978	607	3 443	1 232	3 271
Gross cash flow from share issues	69 815	271 590	532 555	271 590	332 259
Transaction costs connected to share issues	-3 642	0	-19 506	0	-12 954
Proceeds from new loan	0	0	0	27 280	27 280
Payments of lease liabilities	-1 859	0	-3 559	0	0
Payment of long term liabilities	-926	-730	-1 356	-730	-8 378
Net cash flow from financing activities	63 269	271 264	509 321	299 141	340 773
Net change in cash and cash equivalents	-45 564	227 968	347 904	183 722	54 747
Cash and cash equivalents beginning of period	743 216	250 755	349 747	295 000	295 000
Cash and cash equivalents	697 651	478 723	697 651	478 723	349 747

** Other adjustments include the provision for the Kjørbo incident of NOK 35,0 million, which had no cash effect in Q2 2019.*

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 01.01.2018	199 743	1 289 233	-4 405	18 840	-94 025	1 409 386
IFRS 15 adoption					-3 037	-3 037
Net loss					-188 827	-188 827
Currency translation differences				31 356		31 356
Capital increase	22 967	296 337				319 305
Options and share program			4 124		6 622	10 746
Other changes			268		-220	49
Equity as of 31.12.2018	222 710	1 585 570	-12	50 196	-279 486	1 578 978
Net loss					-144 172	-144 172
Currency translation differences				-20 217		-20 217
Capital increase	20 708	492 872				513 580
Options and share program					3 498	3 498
Equity as of 30.06.2019	243 418	2 078 443	-12	29 978	-420 159	1 931 668

Notes to the interim financial statements

Note 1 Organization and basis for preparation

Corporate information

Nel ASA (Nel) is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The group serves industry, 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 value chain from hydrogen production technologies to manufacturing of hydrogen fueling stations, providing all fuel cell electric vehicles (FCEVs) with the same fast fueling and long range as conventional vehicles today. 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 group's head office is in Karenslyst allé 20, N-0278 Oslo, Norway. The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on 28 August 2019.

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 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the 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 2018, except for *IFRS 16 accounting for leases* that has been adopted from 1 January 2019 as further described below.

Implementation of new accounting standards

The group has implemented IFRS 16 in 2019 with the modified retrospective approach. Hence, the comparative figures for 2018 have not been adjusted. With the transition to IFRS 16 the group has recognized right-of-use assets of NOK 37.4 million, and lease liabilities of NOK 37.4 million as of 1 January 2019. A further description of the impact of the initial application is disclosed in the tables below.

IFRS 16 requires a lessee to account for lease contracts by recognizing a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The implementation of IFRS 16 has mainly affected the accounting for office leases and to a smaller extent leases for service cars in the group.

Reconciliation of lease commitments to lease liabilities

(unaudited amounts in NOK thousands)	
Operating lease commitments at 31 December 2018 as disclosed in the group's consolidated financial statements	51 357
Short term and low value exemption	-1 187
Gross liabilities at 1 January 2019	50 170
Effect of discounting	-12 758
Lease liabilities recognized at initial application	37 412
Weighted average incremental borrowing rate applied	9.6%
Right to use assets recognized at initial application	37 412

Under the accounting standards effective prior to the adoption of IFRS 16, lease expenses would be higher, included in operating expenses. Under IFRS 16, lease expenses within the scope of IFRS 16 are removed and replaced by depreciation of right-of-use assets and interest expense. IFRS 16 has a net positive effect on EBIT and a net negative effect on pre-tax loss in Q2 and H1 of 2019 due to higher interest expense being recognized early in the lease term and lower interest expenses to be recognized later in the lease term. The net negative effect pre-tax loss was NOK 234 thousand in Q2 and NOK 647 thousand in first half of 2019.

IFRS 16 effects on statement of comprehensive income

(unaudited amounts in NOK thousands)	Excl IFRS 16 effects Q2 2019	IFRS 16 effects	Q2 2019
Total operating income	122 542	0	122 542
Total operating expenses excl depr.	197 971	-2 799	195 172
Depreciation	16 056	2 042	18 098
Operating loss	-91 485	757	-90 728
Net financial items	-2 967	-991	-3 957
Pre-tax loss	-94 451	-234	-94 685

Note 2 Going concern

The financial statement is presented on the going concern assumption under International Financial Reporting Standards as adopted by the EU.

As per the date of this report the group has sufficient working capital for its planned business activities over the next twelve-month period.

Note 3 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 recognized in the condensed interim financial statements:

- Impairment of goodwill
- Share based payments
- Development expenses

The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. Changes in accounting estimates are recognized 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 2018 for more details related to key judgements, estimates and assumptions.

Note 4 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 organization and reporting structure used by management. See Nel's Annual Report 2018 note 3 Business segments 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 business segments, Hydrogen Fueling and Hydrogen Electrolyser.

Nel Hydrogen Fueling

The Fueling segment offers H2Stations® 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 production of hydrogen to fueling of vehicles.

Nel Hydrogen Electrolyser

The Electrolyser segment offers the production and installation of electrolyzers for hydrogen production and the technologies cover atmospheric alkaline and PEM electrolyzers.

Prices between operating segments are on an arm's length basis.

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

(amounts in NOK million)	Q2 2019	Q2 2018	Change	Q1-Q2 2019	Q1-Q2 2018	Change
Operating revenue						
Nel Hydrogen Fueling	58.0	48.8	19%	112.6	87.6	29%
Nel Hydrogen Electrolyser	64.5	87.1	-26%	132.3	160.6	-18%
Total	122.5	135.8	-10%	244.9	248.2	-1%
EBITDA***						
Nel Hydrogen Fueling	-46.5	-8.7		-61.2	-17.0	
Nel Hydrogen Electrolyser	-12.8	-2.9		-21.8	0.4	
Other and eliminations*	-13.3	-9.0		-24.4	-19.8	
Total	-72.6	-20.6		-107.5	-36.4	
Total assets**						
Nel Hydrogen Fueling	705.4	557.1	27%	705.4	557.1	27%
Nel Hydrogen Electrolyser	980.3	870.3	13%	980.3	870.3	13%
Other and eliminations*	734.1	493.2	49%	734.1	493.2	49%
Total	2 419.9	1 920.6	26%	2 419.9	1 920.6	26%

** Other and eliminations comprises of parent company and elimination of intercompany transactions.*

*** Total assets per segment includes excess values on intangible assets derived from the consolidation of the financial statements.*

**** Provision of NOK 35.0 million allocated 2.0 million to parent and 33.0 million to Nel Hydrogen Fueling.*

Property, Plant and Equipment by geographical area (amounts in NOK million)	Q2 2019	Q2 2018	Full year 2018
Norway	43.5	10.9	28.5
Denmark	87.6	83.7	91.2
USA	46.8	14.5	15.6
South Korea	0.4	0	0.1
Total	178.4	109.1	135.4

Note 5 Intangible assets

(amounts in NOK million)	Goodwill	Technology	Customer relationship	Total
Carrying amount of 01.01.2019	608.8	422.0	69.2	1 100.0
Additions	0	25.2	0	25.2
Depreciations	0	-18.2	-6.1	-24.3
Currency translation differences	-11.9	-9.3	-0.9	-22.1
Carrying amount as of 30.06.2019	596.9	419.8	62.1	1 078.8

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. The goodwill is tested using the value-in-use approach determined by discounting expected future cashflows. If the impairment test reveals that an asset's carrying amount is higher than the value-in-use, an impairment loss will be recognized.

The impairment test is performed on three Cash Generating Units (CGUs). Goodwill and intangible assets are related to CGU Electrolyser Norway, CGU Electrolyser US and CGU Fueling & Solutions.

Note 6 Property, Plant and Equipment

(amounts in NOK million)	Land, buildings and real estate	Fixtures and fittings, tools, etc.	Total
Carrying amount as of 31.12.2018	110.7	24.7	135.4
Effect of IFRS 16 leases implementation	36.0	1.4	37.4
Carrying amount as of 01.01.2019	146.7	26.1	172.8
Additions	12.6	5.8	18.4
Depreciations	-9.3	-1.7	-11.0
Currency translation differences	-1.2	-0.6	-1.8
Carrying amount as of 30.06.2019	148.7	29.7	178.4

Note 7 Kjørbo provision

(amounts in NOK million)	Total
Operating expenses excl. Kjørbo provision	178.3
Kjørbo provision	35.0
Operating expenses	213.3

The provision of estimated cost, net of estimated insurance coverage, of NOK 35.0 million related to the Kjørbo incident includes cost related to investigations, stations inspections and retrofit, site clean-up, station replacement and other non-recurring costs. The extent of insurance coverage and other issues will impact the final costs.

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 for 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 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.

Definition of alternative performance measures used by the group for enhanced financial information

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

EBITDA is included as a supplemental disclosure and a key financial figure because management believes the measure provides useful information to identify and analyze the group's operational performance, ability to fund capital and provides a helpful measure for comparing its operational performance with other companies.

EBITDA is presented and reconciled to pre-tax profit (loss) on a separate line in note 4 segments.

EBITDA margin: is defined as EBITDA divided by total operating income.

EBITDA excluding Kjørbo provision: is defined as EBITDA adjusted for non-recurring costs related to the incident at Kjørbo. The APM is included to provide an EBITDA figure that is comparable to the operational performance of previous and future quarters.

EBIT: is defined as earnings before interest and tax and corresponds to operating profit/(loss).

EBIT margin: is defined as EBIT divided by total operating income.

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

Organic growth: shows like-for-like revenue growth for the group and is defined as the group's reported change in operating revenues adjusted for effects of acquisitions of companies and mergers. In the calculation of organic growth, acquired companies and effect from mergers is excluded 12 months after the transaction date.

Organic growth illustrates the group's ability to capitalize on the emerging green hydrogen market as well as being innovative in developing new and improved products from its existing business.

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

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Nel ASA

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