Nel ASA

Q1 2019 interim report

Highlights of the quarter

- Nel ASA (Nel) reported revenues in the first quarter 2019 of NOK 122.4 million, up from NOK 112.5 million in the first quarter 2018
  - There was a 40% growth in the Fueling segment, while the development in Electrolyser was negative compared to the same quarter last year (-8%)
- High order backlog of around NOK 406 million at the end of the quarter. The backlog does not include any orders under the Nikola supply contract
- Cash balance of NOK 743.2 million (Q1 2018: 250.8), excluding NOK 68.1 million in gross proceeds from the subsequent share offering
- Awarded a USD 6 million contract for the delivery of a H2Station® solution for fueling of heavy-duty vehicles (HDV) in the US
- Completed a successful private placement of 84.9 million new shares, at a price per share of NOK 5.45, raising NOK 462.7 million in gross proceeds
- Received a EUR 2.8 million purchase order for two hydrogen fueling stations in Korea
- Awarded a contract of more than USD 3 million for a containerized 2 MW PEM electrolyzer, and entered into a 30 MW framework contract agreement in Switzerland

Subsequent events

- Completed subsequent offering of 12.5 million shares, raising gross proceeds of NOK 68.1 million
- Received a USD 7 million purchase order from Shell for two additional H2Station® units 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

Key figures

KEY FIGURES *(Unaudited amounts in NOK million)*	**2019** Q1	**2018** Q1	**2018** Full year	**2017*** Full Year
Operating revenue	122.4	112.5	489.1	302.2
Operating expenses	174.4	144.3	685.1	419.4
EBITDA	-34.8	-15.8	-131.6	-77.4
Operating loss	-52.0	-31.9	-196.1	-117.2
Pre-tax loss	-53.2	-32.9	-197.5	-124.4
Net loss	-51.3	-30.1	-188.8	-52.4
Net cash flow from operating activities	-33.1	-37.9	-142.6	-113.0
Cash balance end of period	743.2	250.8	349.7	295.0

** The figures include Proton OnSite from the acquisition date, 30 June 2017*

Financial development

Nel reported revenues in the first quarter 2019 of NOK 122.4 million (Q1 2018: 112.5 million), following growth in the Fueling segment of 40%, while the development in the Electrolyser segment was negative by 8% compared to the same quarter last year.

At the end of the first quarter 2019, Nel had an order backlog of NOK 406 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. The backlog only includes firm purchase orders with agreed price, volume, timing and terms and conditions.

The EBITDA margin of first quarter 2019 fell to -28.4%, compared to -14.0% in the same quarter last year. The decrease is due to increased costs of goods sold and higher wage and social costs.

The high cost level in the quarter was partly due to high cost on siting and installation of certain projects. In addition, there was a high level of business development- and sales activities, and considerable ramp-up activities throughout Nel which affected the costs. The organization is generally prepared for a higher revenue level. At the quarter, 251 people were employed in Nel compared 208 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 3.3 million in the quarter.

Depreciation was NOK 17.2 million (16.1) in the first quarter of 2019. The depreciation is mainly related to excess values derived from acquisitions and depreciation of intangible and tangible assets that has increased from first quarter 2018.

Operating loss amounted to NOK -52.0 million (-31.9) in the period, while EBITDA ended at NOK -34.8 million (-15.8).

Net financial items amounted to a cost of NOK 1.2 million. This was related to share of loss from associated companies and currency loss, partly offset by interest income. Share of loss from associates and joint ventures amounted to NOK 1.4 million (1.2) and is mainly related to Nel's ownership in Uno-X Hydrogen AS and Hyon AS.

Pre-tax loss was NOK -53.2 million (-32.9) in the first quarter of 2019 and the net loss was NOK -51.3 million, compared to a loss of NOK -30.1 million in the same quarter of 2018.

Total assets were NOK 2 365.2 million at the end of the first 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 1 958.8 million. Thus, the equity ratio was 83 percent.

Net cash flow from operating activities in the first quarter of 2019 was NOK -33.4 million, compared to NOK -37.9 million in the same quarter in 2018. Net cash flow from investing activities was NOK -21.1 million (-34.2) in the period.

Nel’s cash balance at the end of the first quarter of 2019 was NOK 743.2 million. The increase from the cash balance at 31 December 2018 is due to net proceeds of NOK 462.7 million from capital increase in February 2019.

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 today.

Nel has reorganized the organization and will report the former business unit Nel Hydrogen Solutions as integrated parts of the two operating business units.

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 traces 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 all across the world, and set the industry standard.

Historically, hydrogen has primarily been used as an input factor for a broad spectrum of industrial applications, such as ammonia, refineries, methanol production, edible oil industry, chemicals/refining, metallurgy, glass production, electronics, generator cooling, production of 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 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 now being initiated 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 started commercial sales of electrolyzers in the 1970s and has since then delivered more than 3 500 electrolyzer units in 80 countries all 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 exhibits 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 allows 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, significant cost reductions can be achieved, critical to make 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 the existing ones, and gradually replace all the various fossil solutions 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 has today. Since Nel started 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. In Denmark, Nel has delivered H2Station® technology for the entire Danish network of hydrogen fueling stations, operated in collaboration with leading oil-, energy- and gas companies. With the H2Station® technology's long- proven track record of reliable operation, the ambition is to maintain the position as a preferred supplier for international hydrogen fueling infrastructure operators.

Nel officially opened the new Nel H2Station® manufacturing plant in Herning, Denmark in the fall of 2018. The state- of-the-art, large-scale manufacturing plant has an annual capacity of 300 hydrogen stations per year. Combining technology innovations with increased manufacturing capacity should enable Nel to reduce cost of hydrogen fueling station equipment.

The target is to deliver fueling solutions that will enable hydrogen to outcompete fossil fuels completely 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 accommodated to 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 67.4 million in the first quarter 2019, down by 8% from NOK 73.5 million in the first quarter of 2018. The reason is a lower level of revenues related to PEM electrolyzers in the first quarter compared to the same period last year.

H2 Energy contract

Nel received a purchase order for a 2 MW containerized Proton PEM® electrolyzer, as part of a 30 MW framework agreement with Hydrospider AG, an affiliated company of H2 Energy. The electrolyzer will be used to produce green hydrogen for heavy-duty hydrogen trucks from Hyundai Motor Company, which will begin operation in Switzerland during late 2019.

The framework agreement represents the first phase of 60 - 80 MW needed to supply hydrogen for the total expected 1000 trucks and other applications.

The purchase order, which represents the first containerized megawatt Proton PEM electrolyzer delivered by Nel in Europe, has a value exceeding USD 3 million, and will be installed during second half of 2019.

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 - to be gradually ramped up from 2020 through 2025 - 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 was installed and started operations in Q1 2019. This station is currently fueling both cars as well as Nikola trucks, the same trucks that was launched at the Nikola World Event in April. The next DEMO station is expected to be installed later in 2019.

Nel Hydrogen Fueling

Nel Hydrogen Fueling recorded revenues of NOK 54.5 million, up by 40% from NOK 38.9 million in the first quarter of 2019. The main reason is a higher level of siting and installation revenues.

Shell contract

Nel entered into a contract for the delivery of a H2Station® solution for fueling of heavy-duty vehicles in the US. The heavy-duty market is showing a faster growth than earlier anticipated.

Nel is gearing up the efforts and technology developments towards offering solutions that can accommodate growth in this segment.

The H2Station® equipment will be deployed in the U.S. and will be capable of fueling both heavy-duty trucks as well as light duty vehicles. The work related to the contract will start soon and exact delivery time to be agreed.

The H2Station® order has a total value of more than USD 6 million.

PO from Korea

Nel Korea received a purchase order for the two H2Station® hydrogen fueling stations from Public Procurement Service (PPS) on behalf of Gangwon Technopark.

The value of the contract is around EUR 2.8 million, and the H2Station® units are scheduled to be installed in Gangneung and Samcheok during 2019.

Nel joins HyNet

Nel Korea co-signed an agreement for the establishment of Hydrogen Energy Network (HyNet), a new Special Purpose Company (SPC) and a joint venture (JV) between thirteen leading industrial companies.

The target of HyNet is to expand the hydrogen fueling infrastructure in South Korea by installing 100 stations by 2022 and to operate them until 2029.

HyNet is a JV among thirteen companies with the major shareholders being Hyundai Motor Company, Korea Gas Corporation, and Air Liquide Korea. The SPC plans to build and operate hydrogen fueling stations in South Korea together with strategic investors and is financially supported by the Korean Ministry of Environment.

The Board of HyNet consists of seven Board members including Nel Korea with Simon Choi, Sales Director and VP, who was elected as a representative of the hydrogen refueling station equipment suppliers. Nel intends to sell H2Stations® both directly to the HyNet JV as well as directly to other customers.

Corporate developments

In the first quarter Nel raised NOK 462.7 million in gross proceeds through a private placement of 84.9 million new shares at a price per share of NOK 5.45.

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

- Upgrading 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.
- The net proceeds will also fund additional working capital in response to increased order volumes and improved positioning to benefit from markets with high activity and growth momentum, as well as general corporate purposes

Subsequent developments

In April, it was raised NOK 68.1 million in gross proceeds in a subsequent offering of 12.5 million new shares, at the same price as in the private placement.

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 located in the Greater Los Angeles area and expand the fueling coverage for hydrogen powered heavy-duty fuel cell electric trucks.

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 joint venture owned by SSAB, LKAB and Vattenfall.

The solution will be used for a pilot which aim is to create a fossil free steel production for the future.

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 have decided not to disclose the value of the contract for the pilot plant.

Hybrit is an initiative between SSAB, LKAB, and Vattenfall, with the aim 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 currently one of the highest carbon emitting industries, accounting for up to 7% of global CO2-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.

Additional Korea order

Nel received two purchase orders for totally 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 during 2019.

First station order for Canada

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

Risks and uncertainty factors

Nel is exposed to risk and uncertainty factors, which may affect some or all of the company'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 detail in our Annual Report for 2018.

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, targeting continued technology 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. Orders booked will primarily affect revenue growth from the second half of 2019.

Key areas of focus include:

• Continue the work on the x10 alkaline 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 ammonia, refineries, etc.

• Significant tender activities for larger projects for electrolyzers and H2Stations

• Continue to develop our organization

Oslo, 7 May 2019

The Board of Directors

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

Condensed interim financial statements

Statement of comprehensive income (unaudited)

PROFIT & LOSS	**Note**	**2019**	**2018**	**2018**
(amounts in NOK thousands)		Q1	Q1	Full year
Operating Income				
Sales income		113 837	109 548	453 187
Other operating income		8 568	2 906	35 861
Total operating income	**4**	**122 405**	**112 454**	**489 049**
Operating expenses				
Cost of goods sold		75 858	58 500	298 545
Wages and social costs		53 504	42 507	182 726
Depreciation		17 192	16 077	64 470
Other operating costs		27 876	27 229	139 369
Total operating expenses		**174 430**	**144 313**	**685 110**
Operating loss		**-52 025**	**-31 859**	**-196 061**
Financial income		2 083	1 103	4 818
Financial expenses		1 874	873	1 529
Share of loss from associates and joint ventures		1 368	1 227	4 731
Net financial items		**-1 158**	**-997**	**-1 442**
Pre-tax loss		**-53 183**	**-32 856**	**-197 503**
Tax expense (income)		-1 843	-2 716	-8 676
NET LOSS		**-51 340**	**-30 140**	**-188 827**
Items that may subsequently be reclassified to profit or loss				
Currency translation differences		-18 401	-36 209	31 356
TOTAL COMPREHENSIVE INCOME		**-69 741**	**-66 348**	**-157 471**
Basic EPS *(figures in NOK)*		**-0.044**	**-0.030**	**-0.179**
Diluted EPS *(figures in NOK)*		**-0.043**	**-0.030**	**-0.176**

Statement of financial position (unaudited)

BALANCE SHEET *(amounts in NOK thousands)*	Note	2019 Q1	2018 Year end
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Technology		417 907	422 040
Customer relationship		65 522	69 151
Goodwill	5	598 310	608 837
Total intangible assets		**1 081 561**	**1 100 029**
Tangible fixed assets			
Land, buildings and real estate		147 016	110 681
Fixtures and fittings, tools, etc.		27 324	24 702
Total tangible fixed assets		**174 341**	**135 383**
Financial fixed assets			
Investments in associates and joint ventures		17 854	18 451
Other financial fixed assets		53 757	53 882
Total financial fixed assets		**71 611**	**72 333**
Total non-current assets		**1 327 512**	**1 307 746**
CURRENT ASSETS			
Inventories		144 120	134 804
Trade receivables		104 922	108 659
Other receivables		45 442	43 445
Cash and cash equivalents		743 215	349 747
Total current assets		**1 037 700**	**636 655**
TOTAL ASSETS		**2 365 212**	**1 944 401**
EQUITY AND LIABILITIES			
Equity			
Share Capital		239 692	222 710
Share premium reserve		2 015 466	1 585 570
Other paid-in capital		31 783	29 946
Treasury shares		-12	-12
Retained earnings		-328 102	-259 327
Total equity		**1 958 826**	**1 578 978**
NON-CURRENT LIABILITIES			
Deferred tax liability		66 582	69 481
Non-current interest-bearing debt		30 678	32 026
Other non-current liabilities		107 558	74 434
Total non-current liabilities		**204 818**	**175 942**
CURRENT LIABILITIES			
Accounts payable		69 686	69 473
Social security, VAT etc. payable		5 034	6 962
Other current liabilities		126 848	113 046
Total current liabilities		**201 568**	**189 481**
Total liabilities		**406 386**	**365 423**
TOTAL EQUITY AND LIABILITIES		**2 365 212**	**1 944 401**

Statement of changes in equity (unaudited)

Statement of changes in Equity *(amounts/numbers in NOK thousands/thousands)*	Number of shares	Share capital	Share premium	Other reserves	Treasury shares	Currency effects	Other equity	Total equity
As of 31.12.2016	**683 678**	**136 736**	**608 213**	**11 116**	**-1 377**	**603**	**-84 071**	**671 219**
Net loss 2017							-52 447	-52 447
Currency translation differences						18 237		18 237
Capital increases 2017	315 037	63 007	681 020					744 027
Acquisition Proton OnSite							17 049	17 049
Options and share program				8 072			9 213	17 285
Treasury shares					-3 028			-3 028
Other changes							-2 957	-2 957
As of 31.12.2017	**998 715**	**199 743**	**1 289 233**	**19 188**	**-4 405**	**18 840**	**-113 213**	**1 409 387**
Opening balance adjustment - IFRS 15 adoption							-3 037	-3 037
Net loss 2018							-188 827	-188 827
Capital increases 2018	114 836	22 967	296 337					319 305
Currency translation differences						31 356		31 356
Options and share program				10 746	4 124		-4 124	10 746
Other changes				12	268		-232	49
As of 31.12.2018	**1 113 551**	**222 710**	**1 585 570**	**29 947**	**-12**	**50 196**	**-309 433**	**1 578 978**
Net loss 2019							-51 340	-51 340
Capital increases 2019	84 907	16 981	429 895					446 877
Currency translation differences						-18 401		-18 401
Options and share program				1 836				1 836
Other changes							876	876
As of 31.03.2019	**1 198 458**	**239 692**	**2 015 466**	**31 783**	**-12**	**31 795**	**-359 897**	**1 958 826**

Statement of cash flow (unaudited)

CASH FLOW STATEMENT	**Note**	**2019**	**2018**	**2018**
(amounts in NOK thousands)		Q1	Q1	Full year
Cash flow from operating activities				
Pre-tax loss		-53 183	-32 856	-197 503
Interest costs, reversed		161	28	704
Interests income, reversed		-1 465	-625	-3 271
Depreciation		17 192	16 077	64 470
Change in provisions		-362	-913	16 956
Change in inventories		-9 316	9 880	3 919
Change in trade receivables		3 737	-10 139	-11 868
Change in trade payables		213	-1 669	4 616
Change in other short-term receivables and liabilities		9 877	-17 706	-20 591
Net cash flow from operating activities		*-33 146*	*-37 923*	*-142 568*
Cash flow from investment activities				
Acquisitions of fixed assets		-21 136	-29 397	-94 513
Cash outflow investments in other financial assets		0	0	-42 131
Cash outflow loan given to associates/ joint ventures		0	-3 900	-9 796
Acquisitions of associates/ joint ventures		0	-902	-3 478
Acquisitions of subsidiaries		0	0	-6 883
Acquisition of subsidiaries cash balance		0	0	13 342
Net cash flow from investing activities		*-21 136*	*-34 199*	*-143 458*
Cash flow from financing activities				
Interest paid		-161	-28	-704
Interest received		1 465	625	3 271
Gross cash flow from share issues		462 741	0	332 259
Other financial fixed assets		0	0	0
Transaction costs connected to share issues		-15 864	0	-12 954
Proceeds from new loan		0	27 280	27 280
Payment of long-term liabilities		-430	0	-8 378
Net cash flow from financing activities		*447 751*	*27 877*	*340 773*
Net change in cash and cash equivalents		*393 469*	*-44 245*	*54 747*
Cash and cash equivalents beginning of period		349 747	295 000	295 000
Cash and cash equivalents		**743 215**	**250 754**	**349 747**

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 7 May 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

(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

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 operates within two business segments, Nel Hydrogen Fueling and Nel Hydrogen Electrolyser.

Through the subsidiary Nel Hydrogen A/S based in Herning, Denmark, the group offers H2Stations® for fast fueling of fuel cell electric vehicles as well as services in relation to the supply of these stations. Nel Hydrogen Inc, located in San Francisco, USA and Nel Korea Co. Ltd., located in Seoul, South Korea, Nel Hydrogen Fueling mainly offering siting and service for their installed base of H2 stations.

Through its subsidiary Nel Hydrogen Electrolyser AS, based in Notodden, Norway, Nel Hydrogen Electrolyser offers hydrogen plants based on *alkaline water electrolysis technology* for use in various industries. Through its subsidiary Proton Energy Systems Inc, USA, Nel Hydrogen Electrolyser offers hydrogen plants based on *PEM water electrolysis technology* for use in various industries.

The identification of segments in the group is made based on the different products the division offers as well as geographical areas the divisions operate in. The executive management group is the chief operating decision maker (CODM) and monitors the operating results of its 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.

Prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Nel Hydrogen Fueling			**Nel Hydrogen Electrolyser**			**Other/elimination***			**Total**		
(amounts in NOK million)	2019 Q1	2018 Q1	2018	2019 Q1	2018 Q1	2018	2019 Q1	2018 Q1	2018	2019 Q1	2018 Q1	2018
Operating revenue	54.5	38.9	190.7	67.8	73.5	298.5	0.0	0.0	-0.2	122.4	112.5	489.0
Operating expenses	69.2	49.2	269.9	76.9	70.7	328.5	11.2	8.3	22.3	157.2	128.2	620.6
EBITDA	**-14.7**	**-10.3**	**-79.2**	**-9.0**	**2.8**	**-29.9**	**-11.2**	**-8.3**	**-22.5**	**-34.8**	**-15.8**	**-131.6**
Depreciation	5.4	2.0	16.8	3.0	1.4	5.0	8.9	12.7	42.7	17.2	16.1	64.5
EBIT	**-20.0**	**-12.3**	**-95.9**	**-12.0**	**1.4**	**-34.9**	**-20.0**	**-21.0**	**-65.2**	**-52.0**	**-31.9**	**-196.1**
Net financial items	-0.8	-0.9	-4.6	-1.6	-0.6	-1.6	1.3	0.5	4.8	-1.2	-1.0	-1.4
Pre-tax profit (loss)	**-20.9**	**-13.2**	**-100.6**	**-13.6**	**0.8**	**-36.4**	**-18.7**	**-20.5**	**-60.4**	**-53.2**	**-32.9**	**-197.5**
Total Assets	353.4	257.0	325.5	387.2	299.7	388.6	1 624.6	1 093.4	1225.8	2 365.2	1 650.1	1939.9
Total Liabilities	238.2	180.8	186.4	352.2	219.5	339.4	-183.9	-94.5	-164.6	406.4	305.8	361.1

** Other/elimination comprises excess values on intangible assets and related depreciation and tax expense (income) derived from the consolidation of the financial statements not allocated to the business segments. In addition, it comprises parent company costs and elimination of intercompany transactions and balances.*

Note 5 Goodwill

The table below shows the movements in goodwill during 2018 and the first quarter of 2019.

(amounts in NOK million)	31.03.2019	31.12.2018
Goodwill beginning of period	608.8	591.7
Currency translation differences	-10.5	17.1
Goodwill end of period	**598.3**	**608.8**

Alternative Performance Measures

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

EBIDTA 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.

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 will be 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 contracts/ purchase orders received from customers where revenue is yet to be recognized.

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Published date:
08.05.2019

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