Nel ASA

Q1 2020 interim report

Highlights of the quarter

Nel ASA (Nel) announced Covid-19 updates 22 and 26 March, in addition to general comments 21 April underlining that revenues and operations would be negatively impacted by disruptions in the value chain, travel restrictions and the ongoing macroeconomic slow down. The company has included Covid-19 comments throughout the first quarter 2020 report, but also refers to its market updates and the quarterly presentation by Nel management.

- Nel reported revenues in the first quarter 2020 of NOK 126.5 million, in line with NOK 122.4 million in the first quarter 2019
  - Global travel restrictions and extraordinary measures related to the Covid-19 pandemic have negatively impacted progress on customer/partner dialogue, order intake, installation, commissioning, and production efficiency
- Order backlog reached NOK 592.3 million at the end of the quarter, up 46% from the end of first quarter 2019 (up 16 % compared to the end of fourth quarter 2019)
- Operating loss of NOK -86.9 million (Q1 2019: -52.0)
- Cash balance of NOK 1 221.4 million (Q1 2019: 743.2)
- Completed a successful private placement of 89 million new shares, at a price per share of NOK 9.50, raising NOK 845.5 million in gross proceeds
- Awarded contract from Trillium of USD 2.2 million for a 1 MW containerized PEM electrolyser in the US
- Awarded grant to develop a novel electrolyser stack to enable lower cost hydrogen generation
- Received additional purchase orders for PEM electrolyser stacks for the U.S. and U.K. Navy, bringing total booked orders from this client to USD 3.1 million in the quarter

Subsequent events

- On April 8, a subsequent offering of 13.35 million new shares was completed, at a price per share of NOK 9.50, raising NOK 126.8 million in gross proceeds
- On April 21, entered into framework agreement with Lhyfe for delivery of up to 60MW of alkaline electrolysers in France. The framework agreement follows an EUR 1 million purchase order for an alkaline electrolyser in March 2020
- The global outbreak of Covid-19 continues to negatively impact operations. The total effect will depend on when the situation is further normalised, but Nel reiterates its positive long-term outlook, supported by the “green recovery” outlined by various governmental initiatives

Key figures

(unaudited amounts in NOK million)	Q1 2020	Q1 2019	Full year 2019
Operating revenue	126.5	122.4	569.7
Operating expenses	213.4	174.4	824.3
EBITDA	-64.6	-34.8	-179.1
Operating loss	-86.9	-52.0	-254.6
Pre-tax loss*	-5.2	-53.2	-277.2
Net loss	-3.2	-51.3	-269.8
Net cash flow from operating activities	-8.8	-31.5	-209.2
Cash balance end of period**	1 221.4	743.2	526.0

** Includes NOK 71.1 million in unrealised currency exchange gain related to internal loans*

***Restricted cash excluded*

Financial development

Nel announced Covid-19 updates 22 and 26 March, in addition to general comments 21 April, underlining that revenues and operations would be negatively impacted by disruptions in the value chain, travel restrictions and the general business slow down. Nel remains committed to its strategy and has since 2019 taken on additional costs to prepare for future growth. The revenue shortfall and business disruptions caused by Covid-19 have impacted and will continue to impact financial results negatively but have not resulted in a change of strategy for the company.

Nel reported revenue and operating income in the first quarter 2020 of NOK 126.5 million (Q1 2019: NOK 122.4 million), following growth in the Fueling and Electrolyser segment of 1.7% and 4.7%, respectively, compared to the same quarter in 2019. Revenues were negatively impacted by "stay home - stay safe" policies and travel restrictions arising from the Covid-19 pandemic, specifically the portion of revenues that are recognised at delivery or when commissioning is completed.

At the end of the first quarter 2020, Nel had an order backlog of NOK 592.3 million. The order backlog does not at this stage include electrolysers and fueling equipment for Nikola.

Cost of goods sold (COGS) has increased with 1% from first quarter 2019. The increased COGS is related to the 3% increase in revenues and is also affected by high costs from project execution in the Fueling and Electrolyser divisions. Specifically, we have experienced cost overruns on certain Fueling stations projects that are in the process of being installed in South Korea.

Personnel expenses increased by 43% compared to the same quarter in 2019, which is explained by a higher number of employees, up from 251 employees by the end of first quarter 2019 to 354 at the end of first quarter 2020. Other operating expenses increased by 39%. Both the personnel and other operating costs increase are the results of Nel's strategic decision to pursue growth and higher activity levels.

To date, Nel has been able to keep all full-time employees and only reduce the number of hired-in/contracted personnel. Nel believes in the long-term growth of the hydrogen business and wants to be ready to set full operations in motion as soon as the situation begins to normalize. However, the current shortfall in revenues, combined with the pre-pandemic cost base, contributes negatively to overall results in the quarter.

Non-cash costs for the stock option- and share incentive program, which are included in personnel expenses, were NOK 3.0 million (3.3) in the quarter.

EBITDA ended at NOK -64.6 million (-34.8), while the EBITDA margin was -51.4% (-28.4%).

Depreciation and amortisation were NOK 22.4 million (17.2) in the quarter.

Operating loss amounted to NOK -86.9 million (-52.0) in the period.

Net financial items amounted to a gain of NOK 81.7 million (-1.2) of which NOK 71.1 million are unrealised currency exchange gain from revaluing internal loans. Approximately 70 % of FX exposure in relation to the internal loans is towards the U.S. Dollar, with the remainder towards the Danish krone. Finance cost is mainly interest expense.

Pre-tax loss was NOK -5.2 million (-53.2) in the quarter and the net loss was NOK -3.2 million, compared to a loss of NOK -51.3 million in the same quarter 2019.

Comprehensive income is positive with NOK 128.6 million (-5.3) mainly due to positive currency translation differences, net of tax, of NOK 132.1 million in the quarter (-17.9) related to converting statement of financial position from subsidiaries in USD and DKK into NOK using a higher currency rate than in the previous quarter.

Total assets were NOK 3 429.6 million at the end of the quarter, compared to NOK 2 430.7 million at the end of 2019, mainly due to an increase of cash from capital increase in January, working capital and non-current assets. Total equity was NOK 2 801.2 million, thus, the equity ratio was 82%.

Net cash flow from operating activities in the quarter was NOK -8.8 million, compared to NOK -31.5 million in the first quarter in 2019. The positive development is mainly due to the change in working capital that is due to improved cash collection decreasing trade receivables offset by an increase in inventories. Net cash flow from investing activities was NOK -116.8 million (-21.1). There is high investment activity in tangible and intangible assets. In addition, restricted cash has increased by NOK 56.6 million during the quarter, mainly from advance payment guarantees, increasing the investing activities.

Nel's cash balance at the end of first quarter 2020 was NOK 1 221.4 million. The increase from end of 2019 is mainly due to raising net proceeds of NOK 818.8 million from the capital increase in January. This is partly offset by negative cash flow from operations and high investment levels.

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 hydrogen 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, covering both alkaline and PEM (proton exchange membrane) technology globally. The company's roots date back 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, the electrolyser 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 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", were 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.

Nel began commercial sales of electrolysers in the 1970s and has since delivered over 3500 electrolyser units in more than 80 countries across the globe. The business area 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 electrolysers and is 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 also decided to significantly increase its manufacturing capacity of atmospheric alkaline electrolysers. In 2019 Nel secured a location for the new manufacturing plant at Herøya, Norway, and targets to have an initial capacity of 360 MW/year, around 10 times current capacity. The capacity at the new plant can be further expanded to beyond 1 GW/year. The new manufacturing plant will be highly automated and significant cost reductions are expected, which 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 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 the global leaders on hydrogen fueling stations for mobility applications. The H2Station® technology is now being installed in several European countries as well as in South Korea and California, US, providing hydrogen fueling for FCEVs from major car manufacturers, as well as forklifts, buses and trucks.

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, the 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 capacity of 300 hydrogen stations per year, leaving room for significant growth. Combining technology innovations with increased manufacturing capacity should enable Nel to further reduce the cost of hydrogen fueling station equipment.

The 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. Significant technology developments will continue going forward to support these new 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 reported revenues of NOK 70.9 million in the first quarter of 2020, a growth of 4% from NOK 67.8 million in the same quarter 2019. Norway has an increase of 43% from higher sales of Alkaline electrolysers, while the US has a decrease of 21 % from sales of PEM electrolysers.

Revenues were negatively impacted by "stay home - stay safe" policies and travel restrictions resulting from the Covid-19 pandemic. Also, the current business climate has impacted the market for PEM electrolysers.

Due to the Covid-19 situation and following an executive order from the state of Connecticut, the majority of the activities at Nel's Wallingford facility were temporarily suspended on March 22. Later our facility was defined as an "essential manufacturing business" and reopened on 26 March.

Received purchase order of USD 2.2 million for 1 MW containerized PEM electrolyser in the US

Nel Hydrogen Electrolyser has received a purchase order for a 1 megawatt containerized Proton PEM® electrolyser from Trillium Transportation Fuels, LLC (Trillium). The electrolyser will be used to produce hydrogen for a fleet of up to 12 fuel cell electric buses at the Champaign-Urbana Mass Transit District (MTD), in Urbana, Illinois, USA. Trillium is a leader in providing alternative fuel solutions for transit fleets, and MTD is an innovator in the public transportation sector.

Received purchase order for U.K. Navy PEM electrolyser stacks

Nel Hydrogen Electrolyser has received a purchase order for PEM electrolyser cell stacks from United Technologies´ Collins Aerospace Division, at a value of approximately USD 1.6 million. Nel's electrolyser stacks produce critical life support oxygen for U.S. and U.K. Navy crews on multiple classes of nuclear-powered submarines and will be delivered under an exclusive contract.

Nel Hydrogen Electrolyser has been awarded U.S. grants

Nel Hydrogen Electrolyser has been awarded a $1.85 million grant by the Department of Energy (DOE) for development of a novel electrolyser cell stack approach to enable higher efficiency, low cost hydrogen generation.

Subsequent event: Nel Hydrogen Electrolyser entered into a framework agreement for delivery of electrolysers in France

Nel has entered into a framework agreement for the delivery of up to 60 megawatt of electrolysers to Lhyfe Labs SAS (Lhyfe) in France.

The framework agreement follows a EUR 1 million purchase order for an A150 alkaline electrolyser in March 2020, which will be used to produce green hydrogen for a fleet of buses in Bouin, France. The agreement covers 20 additional electrolysers, equal to around 60 MW, intended to be purchased over the next 4 years under similar terms and conditions.

Nel Hydrogen Fueling

Nel Hydrogen Fueling reported revenues of NOK 55.6 million in the first quarter 2020, a growth of 2% from NOK 54.5 million in the same quarter 2019.

Covid-19 disruptions in the value chain and travel restrictions have negatively affected installation and commissioning activities. Consequently, revenues have been negatively impacted, specifically the portion of revenues that are recognised at delivery or when commissioning is completed.

Update ongoing projects in South Korea

During the first quarter 2020, we have made good progress in installing the first sites for our H2 stations in South Korea, but commissioning is delayed due to travel restrictions from the Covid-19 situation. During this process the company has incurred cost overruns on certain projects related mainly to certification and siting issues. The Covid-19 situation has increased the complexity and further delayed the installation of the first sites due to the international travel ban.

During the quarter, Nel increased the investment in HyNet with EUR 1.1 million as planned. HyNet is a special purpose company established to roll out 100 hydrogen fueling stations in South Korea by 2022, as part of the national ambition in South Korea to have more than 300 stations operational by the same year. Nel considers South Korea to be a very important market going forward.

Corporate developments

Nikola

Nel is together with Nikola currently working on the techno-economical optimisation of the commercial station solution, as a preparation for future deliveries. This is a time-consuming process and "stay home – stay safe" policies and travel restrictions has delayed the progress that the parties have made. The parties still aim to finalise the process during first half of 2020.

Entered into a strategic collaboration agreement with Kvaerner

Kvaerner is a global execution specialist providing engineering, procurement and construction (EPC) services. The companies will collaborate on specific green hydrogen projects and standardisation of solutions for large scale hydrogen production plants.

The companies have already initiated the standardisation process, with basis in a 20 megawatt module which will work as a building block for plants of several hundred megawatts

Completed private placement with NOK 845.5 million in gross proceeds

Nel raised approximately NOK 845.5 million in gross proceeds through a private placement of 89 million new shares at a price per share of NOK 9.50.

Subsequent event: Completed subsequent offering with NOK 126.8 million in gross proceeds

Nel raised NOK 126.8 million in gross proceeds through a subsequent offering of 13.35 million new shares, at a price per share of NOK 9.50.

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 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 2019.

Outlook

Covid-19

The global outbreak of Covid-19 will continue to cause disruptions in Nel´s operations and financial performance as "stay home – stay safe" policies and the general business slowdown impacts production, order intake, customer dialogue, installations and commissioning and associated revenue recognition. The visibility on the duration and size of the effects from the Covid-19 situation is currently low. Nel remains committed to its strategy and has since 2019 taken on additional employees and costs to prepare for future growth. The revenue shortfall and business disruptions caused by Covid-19 have impacted and will continue to impact financial results negatively:

- Installation and commissioning delays caused by travel restrictions
- Certain new order booking delays due to the macroeconomic slow-down
- Nel holds the workforce largely intact to maintain the momentum when the situation normalizes and will continuously assess the situation

Core business outlook

Nel reiterates the confidence in the long-term potential for the industry, supported by the "green recovery" outlined by various governmental initiatives.

Nel aims to capitalise on the emerging opportunities within hydrogen by leveraging on the position as a technology front-runner, continued high focus on safety, global presence, cost leadership, strong financing and preferred-partner status for industry participants.

To maintain and strengthen its leading position in a growing market, Nel will accelerate investments in organisation and technology.

The hydrogen market is expected to grow significantly, and renewable hydrogen, often referred to as *green hydrogen*, is on a trajectory to outcompete fossil hydrogen as well as fossil fuels.

There is an increased adoption of industrial hydrogen applications with huge overall potential. In addition, there is a strong momentum within mobility, and especially for heavy duty applications such as trucks and buses. Renewable hydrogen as a future fuel alternative will facilitate zero emission from production to use.

Nel targets to maintain its current leading position in the electrolysis sector, continuing to develop both PEM and alkaline technologies to satisfy specific customer needs and preferences.

As markets in which Nel operates are developing towards lager scale, it is increasingly important to be a financially strong counterpart, especially for larger contracts.

Ongoing growth initiatives and ramp-up costs will have a negative EBITDA impact in 2020.

Oslo, 7 May 2020

The Board of Directors

Ole Enger	Beatriz Malo de Molina	Mogens Filtenborg
Chair	Board member	Board member
(Sign)	(Sign)	(Sign)

Finn Jebsen	Hanne Blume
Board member	Board member
(Sign)	(Sign)

Jon André Løkke

CEO

(Sign)

Condensed interim financial statements

Consolidated statement of comprehensive income (unaudited)

(amounts in NOK thousands)	Note	Q1 2020	Q1 2019	Full year 2019
Revenue and operating Income				
Revenue from contracts with customers		116 782	113 837	519 050
Other operating income		9 745	8 568	50 657
Total revenue and operating income	3	126 527	122 405	569 707
Operating expenses				
Cost of goods sold		76 297	75 858	342 374
Personnel expenses		76 506	53 504	243 194
Depreciation and amortisation	4, 5	22 353	17 192	75 500
Other operating expenses		38 286	27 876	163 209
Total operating expenses		213 442	174 430	824 277
Operating loss		-86 915	-52 025	-254 570
Finance income		83 573	2 083	12 643
Finance cost		-1 525	-1 874	-6 501
Share of loss from associates and joint ventures		-374	-1 368	-28 811
Net financial items		81 675	-1 158	-22 668
Pre-tax loss		-5 240	-53 183	-277 238
Tax expense (income)		-2 009	-1 843	-7 529
Net loss		-3 231	-51 340	-269 710
Items that are or may subsequently be reclassified to income statement:				
Currency translation differences		132 064	-17 889	2 240
Cash flow hedges, effective portion of changes in fair value		-6 590	-635	-2 388
Cash flow hedges, reclassified to income statement		6 357	123	1 602
Other comprehensive income		131 831	-18 401	1 453
Total comprehensive income		128 600	-69 741	-268 256
Basic EPS *(figures in NOK)* 1)		-0.00	-0.04	-0.22
Diluted EPS *(figures in NOK)* 1)		-0.00	-0.04	-0.22
Weighted average number of outstanding shares (million)		1 291	1 162	1 211

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	31.03.2020	31.12.2019
ASSETS			
Intangible assets	4	1 302 200	1 118 075
Property, plant and equipment	5	299 192	256 170
Other non-current assets		98 838	66 089
Total non-current assets		1 700 230	1 440 334
Inventories		245 036	205 234
Trade receivables		114 945	183 333
Contract assets		49 477	37 103
Other current assets		98 600	38 688
Cash and cash equivalents		1 221 358	525 982
Total current assets		1 729 416	990 340
TOTAL ASSETS		3 429 646	2 430 673
EQUITY AND LIABILITIES			
Shareholders' equity		2 801 209	1 846 618
Total equity		2 801 209	1 846 618
Deferred tax liability		72 638	63 343
Long-term debt		35 014	30 577
Lease liabilities		83 003	79 121
Other non-current liabilities		84 209	70 605
Total non-current liabilities		274 864	243 646
Trade payables		82 090	92 197
Lease liabilities		14 031	12 066
Contract liabilities		165 809	151 729
Other current liabilities		91 643	84 417
Total current liabilities		353 573	340 409
Total liabilities		628 437	584 055
TOTAL EQUITY AND LIABILITIES		3 429 646	2 430 673

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

Consolidated statement of cash flows (unaudited)

(amounts in NOK thousands)	Q1 2020	Q1 2019	Full year 2019
Cash flow from operating activities			
Pre-tax loss	-5 240	-53 183	-277 238
Depreciation and amortisation	22 353	17 192	75 500
Change in net working capital	17 373	6 211	-71 637
Other adjustments 1)	-43 275	-1 679	64 147
Net cash flow from operating activities	-8 790	-31 459	-209 228
Cash flow from investment activities			
Investments in tangible and intangible assets	-47 149	-21 136	-118 862
Purchases of other investments 2)	-56 638	0	0
Investments in other financial assets	-12 998	0	-7 849
Loan given to associates and joint ventures	0	0	-5 975
Investments in associates and joint ventures	0	0	-3 085
Sale of subsidiaries	0	0	1 653
Net cash flow from investing activities	-116 785	-21 136	-134 118
Cash flow from financing activities			
Interest paid	-1 238	-161	-4 715
Interest received	4 137	1 465	9 515
Gross cash flow from share issues	847 013	462 741	545 984
Transaction costs connected to share issues	-28 251	-15 864	-20 426
Payment of lease liabilities	-2 556	-1 700	-8 163
Payment of non-current liabilities	-629	-430	-2 700
Net cash flow from financing activities	818 475	446 051	519 496
Foreign currency effects on cash	2 475	13	86
Net change in cash and cash equivalents	695 376	393 469	176 235
Cash and cash equivalents beginning of period	525 982	349 747	349 747
Cash and cash equivalents	1 221 358	743 215	525 982

1) Other adjustments include reversal of NOK 71.1 in unrealised currency exchange gain resulting from internal loans.
2) Purchases of other investments comprises bank deposits and advance payment guarantees with a maturity longer than three months at the date of purchase.

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 01.01.2019	222 710	1 585 570	-12	50 196	-279 486	1 578 978
Net loss				-	-269 710	-269 710
Currency translation differences				2 240		2 240
Hedging reserve				-786		-786
Capital increase	21 710	503 848				525 558
Options and share program			-2		6 312	6 310
Other changes					4 028	4 028
Equity as of 31.12.2019	244 421	2 089 418	-14	51 649	-538 855	1 846 618
Net loss					-3 231	-3 231
Currency translation differences				132 064		132 064
Hedging reserve				-233		-233
Capital increase	17 896	800 866				818 762
Options and share program					1 528	1 528
Other changes					5 701	5 701
Equity as of 31.03.2020	262 317	2 890 284	-14	183 480	-534 858	2 801 209

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. The group serves industry, 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 (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 (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 authorised for issue by the Board of Directors on 7 May 2020.

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 2019 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 2019.

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:

- Impairment of goodwill
- Share based payments
- Development expenses
- Leases, incremental borrowing rates and lease terms
- Deferred tax asset
- Revenue recognition

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 2019 for more details related to key judgements and estimation.

As a result of the outbreak of Covid-19 during the first quarter 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, reviewing credit risk and risk of default including the loss giving default. Nel has not identified significant Covid-19 impact to these condensed consolidated financial statements as of 31 March 2020.

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 2019 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 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, Nel Hydrogen Electrolyser and Nel Hydrogen Fueling. For more information on the segments operation, see section 'Nel in brief' on page 4-5.

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 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.

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

(amounts in NOK million)	Q1 2020	Q1 2019	Change
Revenue and operating income			
Nel Hydrogen Fueling	55.6	54.5	2%
Nel Hydrogen Electrolyser	70.9	67.8	4%
Total	126.5	122.4	3.34%
EBITDA			
Nel Hydrogen Fueling	-26.3	-14.7	
Nel Hydrogen Electrolyser	-24.2	-9.0	
Other and eliminations*	-14.1	-11.1	
Total	-64.6	-34.8	
Investments***			
Nel Hydrogen Fueling	25.8	5.4	377%
Nel Hydrogen Electrolyser	34.4	15.7	118%
Total	60.1	21.1	185%
Total assets**			
Nel Hydrogen Fueling	816.7	640.7	27%
Nel Hydrogen Electrolyser	1 348.0	933.7	44%
Other and eliminations*	1 265.0	790.8	60%
Total	3 429.6	2 365.2	45%

* *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.*

*** *Investments comprise intangible assets, property, plant and equipment, associates and joint ventures and equity instruments.*

Property, Plant and Equipment by geographical area (amounts in NOK million)	31.03.2020	31.03.2019	Full year 2019
Norway	128.8	36.4	113.2
Denmark	111.5	87.1	93.6
USA	56.0	50.7	47.3
South Korea	2.9	0.1	2.1
Total	299.2	174.3	256.2

Note 4 Intangible assets

(amounts in NOK million)	Goodwill	Technology	Customer relationship	Total
Carrying amount of 01.01.2020	609.2	451.7	57.2	1 118.1
Additions	0.0	25.8	0.0	25.8
Amortisation	0.0	-11.1	-3.3	-14.4
Currency translation differences	99.6	65.3	7.8	172.7
Carrying amount as of 31.03.2020	708.8	531.7	61.7	1 302.2

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 Covid-19 situation is not itself an impairment trigger as of now. Should the current situation develop into a sustained economic downturn, Nel may need to write down assets as impaired.

The 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 the value in use, an impairment loss will be recognised.

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.

Note 5 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets

(amounts in NOK million)	Land, buildings and equipment	Right-of-use assets	Total
Carrying amount as of 01.01.2020	171.8	84.3	256.2
Additions	22.6	0.7	23.3
Remeasurements	0.0	0.1	0.1
Depreciation	-4.4	-3.6	-8.0
Currency translation differences	22.2	5.4	27.6
Carrying amount as of 31.03.2020	212.2	87.0	299.2

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

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

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

EBITDA: is defined as EBIT + depreciation, amortisation and impairments

EBITDA margin: is defined as EBITDA divided by revenue and 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 capitalise 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 recognised.

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