nel

number one by nature

2019 Annual report

Title:
Annual report 2019

Published date:
22 April 2020

info@nelhydrogen.com
+47 23 24 89 50

Karenslyst allé 20, PB 199 Skøyen,
0212 Oslo, Norway

The publication can be downloaded on
nelhydrogen.com

Table of contents

Annual report 2019

Letter from the CEO

Dear fellow hydrogen enthusiast,

As we move into 2020, we are faced with the World Health Organisation's (WHO) declaration of the novel coronavirus (COVID-19) as an international pandemic. The number of infected people is increasing rapidly on a global scale, putting severe pressure on health systems and affecting virtually all economic sectors and activities.

We have been following the situation and have implemented procedures and measures as recommended by the WHO, and national authorities in the locations where we are present. We have also implemented additional measures in general and at our manufacturing plants, to reduce the risk of exposure. We are evaluating the situation closely and will implement additional measures, if needed.

The global outbreak of COVID-19, and the extraordinary health measures imposed as a result, will cause disruptions in Nel's value chain. This will in turn negatively impact revenues and operations, but it is as of today too early to estimate the effects. Nel raised capital in January and April 2020. With a strong cash balance, Nel is financially well equipped to manage the COVID-19 situation. The underlying market activities and interest in hydrogen as a key decarbonising energy vector remains strong, and despite the current extraordinary situation, Nel reiterates a positive long-term market outlook.

When we look back into 2019, we experienced a year of extremes for the hydrogen industry with significant positive tailwind and some headwind. Solving the issues of global climate change is this generation's most important challenge and Nel is part of the solution.

Overall, we continue to see favourable developments in the hydrogen markets for industrial applications and mobility solutions. The bottom line is that the hydrogen market is set to grow significantly in the years to come and is attracting increasing interest from industry and investors, reinforcing the trajectory for renewable hydrogen to outcompete fossil fuels.

Within our Electrolyser business area, the opportunities are growing for both PEM and alkaline. The project list is getting longer, and the size of each project is getting larger. We are working hard to maintain a leadership position within this area.

Within our Fueling business area, we see initiatives in an increasing number of regions and segments. Light duty vehicles continue to be an important market segment, however, we see that the market may develop even faster within heavy duty applications.

As Nel targets to maintain a leadership position, we will continue to invest significantly within technology, organization as well as capacity expansions. This includes technologies within both PEM and alkaline electrolysers to satisfy specific customer needs and preferences. It also includes repositioning our technology within the fueling area to better accommodate future demands from heavy duty applications.

To accommodate the increased demand and to serve the future opportunities, we need to get production volumes up and unit costs down. We are therefore preparing to expand our electrolyser production capacity by building the world's largest and cost efficient electrolyser manufacturing plant at Herøya in Norway. This low-cost production capability will help us to leverage the many opportunities arising from the energy and mobility transition.

Strengthening our organization, developing new technology and expanding our production are demanding challenges and will require significant time, energy and investments going forward. We do have a strong financial position to undertake these challenges and are thankful for the strong support that our shareholders have shown us.

2019 was also a year of challenges, exemplified by the incident at Kjørbo in Norway. We identified the root cause of the incident to an assembly error of a specific plug in a hydrogen tank in the high-pressure storage unit. After Kjørbo, we have implemented even stricter measures internally. We are also working with the entire hydrogen industry to improve industry standards through the value chain.

Safety is the core of everything we do, and we never compromise on health, safety or quality. Our ambition is clear: No incidents on sites with our technology. Safety is important, not only for Nel, but for the entire industry. For hydrogen to become the preferred future fuel, the industry must ensure safe use of this energy carrier.

Nel is in a good position to capitalize on the strong market developments and we are truly enjoying working closely with customers and partners to evolve our technology to support the energy transformation that the world needs for a greener future.

I would especially like to thank all our employees that work hard every day to make Nel successful. And I would, of course, like to thank our investors and other stakeholders for their efforts and dedication during an eventful and important 2019.

In the current global environment, the dedication, flexibility and creativity of all our stakeholders – employees, shareholders, customer, partners, industry groups and regulators will be of critical importance to Nel's ongoing development.

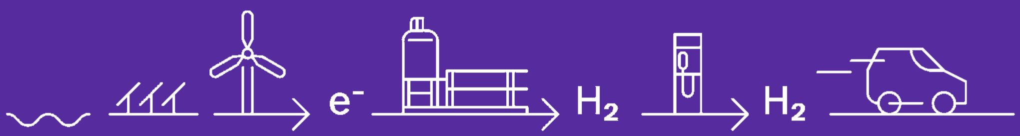
Until next time, take care and stay safe.

Best regards,
Jon André Løkke, CEO

PIONEERING RENEWABLE HYDROGEN FOR MORE THAN 90 YEARS

- **2019** Nel announces construction plans for the world's largest electrolyser manufacturing plant to accommodate multi-billion NOK orders.
- **2017** Nel acquires Proton OnSite, adding world leading PEM electrolysis technology to the product portfolio, becoming the world's largest electrolyser company.
- **2016** Initiates construction of the world's largest manufacturing plant for hydrogen fueling stations, with a capacity of 300 units per year.
- **2015** Nel acquires H2 Logic, adding world leading hydrogen fueling technology to the product portfolio.
- **2014** Nel becomes the first 100% dedicated hydrogen company listed on the Oslo Stock Exchange.
- **2004** The world's first Power-to-Power demonstration project at the island of Utsira, Norway, enabling power to 10 households from stored hydrogen produced by excess wind power.
- **2003** Nel opens the world's first publicly available hydrogen fueling station in Reykjavik, Iceland.
- **1988** The world's first electrolyser supplier to provide non-asbestos alkaline electrolysers.
- **1974** Our renowned electrolyser technology made available for other companies and other industries.
- **1953** Creation of a second large-scale hydropowered electrolyser plant for supplying hydrogen for ammonia production in Glomfjord, Norway.
- **1929** World's largest installation of water electrolysers at Rjukan, Norway. Increasing over time to three plants and 440 electrolysers, exceeding 60,000 Nm3/hour. Sourced by hydropower.
- **1927** Building of the first small electrolyser installation at Norsk Hydro at Notodden, Norway. Testing for pure hydrogen for fertilizer production.

MORE THAN 90 YEARS OF HYDROGEN INNOVATION.
AND THAT'S JUST THE BEGINNING.


e-
H2
H2

Report from the Board of Directors

2019 Highlights

- Revenue growth of 16.5 % in 2019, driven by strong momentum in the second half of the year
- Order backlog ended at NOK 512.6 million, not including orders under the Nikola Motor Company (Nikola) supply contract
- Financial results negatively impacted by the Kjørbo incident, where a provision of NOK 35 million was booked during the second quarter of 2019. Remaining provision at year-end 2019 is NOK 10 million
- Year-end cash balance of NOK 526.0 million (2018: 349.7)
- Secured location for the world's largest and cost efficient electrolyser manufacturing plant at Herøya in Norway with infrastructure allowing for more than 1GW/year capacity
- Received purchase order from Hybrit AB for a 4.5 MW electrolyser for fossil-free steel production
- Signed a long-term exclusive contract with Everfuel for delivery of electrolysers and fueling stations
- Breakthrough in Korea with purchase orders for 12 H2Station® fueling stations
- Received purchase order from ENGIE for a 3.5 MW electrolyser for production of hydrogen for the world's first fuel cell mining truck operation
- Entered into a strategic partnership with Yara on developing green fertiliser production
- Entered into a contract with Shell for the delivery of a H2Station® solution for fueling of heavy-duty vehicles in the US. Received purchase orders from Shell across applications of USD 13 million

SUBSEQUENT EVENTS

- On 21 January 2020 a private placement of 89 million new shares was completed, at a price per share of NOK 9.50, raising NOK 845.5 million in gross proceeds. In addition, on 7 April 2020, it was approved to issue 13.35 million new shares in a subsequent offering, at the same price as in the private placement, raising an additional NOK 126.8 million in gross proceeds.
- The global outbreak of COVID-19, and the extraordinary health measures imposed as a result, will cause disruptions in Nel´s value chain. This will in turn negatively impact revenues and operations, but it is as of today too early to estimate the effects.

KEY FIGURES

KEY FIGURES *(Unaudited amounts in NOK million)*	2019	2018	2017*
Revenue and operating income	569.7	489.0	302.2
Total operating expenses	823.3	685.1	419.4
EBITDA	-178.1	-131.6	-77.4
Operating loss	-253.6	-196.1	-117.2
Pre-tax loss	-277.2	-197.5	-124.4
Net loss	-269.7	-188.8	-52.4
Net cash flow from operating activities	-209.2	-142.8	-113.0
Cash balance end of period	526.0	349.7	295.0

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

Financial development

Income statement

Nel reported revenue and operating income in 2019 of NOK 569.7 million, up 16.5 % from NOK 489.0 million in 2018. The growth can mainly be attributed to Nel Hydrogen Fueling's revenue increasing 27%. Fueling constituted 43% of Nel's total revenue in 2019, up from 39% in 2018.

At the end of 2019, Nel had an order backlog of approximately NOK 512.6 million, up from NOK 350 million in 2018. The order backlog does not include orders under the Nikola contract. The backlog only includes firm purchase orders with agreed price, volume, timing and terms and conditions.

Costs of goods sold totalled NOK 342.4 million (298.5), an increase of 14.7% from 2018. Personnel expenses amounted to NOK 243.2 million (182.7) and other operating expenses amounted to NOK 162.2 million (139.4). The cost increases are driven by preparation for expected growth and ongoing projects. The non-cash costs for the stock option and share incentive program, which are included in personnel expenses, were NOK 10.3 million in 2019 compared to 11.7 million in 2018.

A provision of NOK 35.0 million was made in 2019 to cover estimated cost related to the Kjørbo incident. At the end of 2019, the remaining provision is NOK 10 million.

EBITDA ended at NOK -178.1 million (-131.6), a decrease from 2018 due to ramp up costs and the financial effects of the Kjørbo incident.

Depreciation and amortisation were NOK 75.5 million (64.5) for the year. IFRS 16 was implemented 1 of January 2019, and increased depreciation by NOK 9.9 million in 2019.

The operating loss amounted to NOK -253.6 million (-196.1).

Net financial items amounted to NOK -23.6 million, down from NOK -1.4 million in the 2018 financial year.

Included in net financial items is share of loss from associated companies, which increased to NOK 29.8 million (4.7). The increase is due to impairment of Uno-X receivable of NOK 22.3 million (related to the Kjørbo incident) and losses from joint ventures.

Pre-tax loss totalled NOK -277.2 million (-197.5) and the net loss for the year was NOK -269.7 million, compared to a loss of NOK -188.7 million in 2018.

Financial position

Total assets were NOK 2 430.7 million at the end of 2019, compared to NOK 1 944.4 million at the end of 2018, mainly due to an increase of cash, net working capital and non-current assets. Total equity was NOK 1 846.6 million, thus, the equity ratio was 76 percent

Cash flow

Nel had a net cash flow from operating activities in 2019 of NOK -209.2 million, compared to NOK -142.8 million in 2018. Net cash flow from investing activities was NOK -134.1 million in 2019 compared to NOK -143.5.

The cash balance at the end of the year was NOK 526.0 million.

As subsequent events, Nel raised NOK 845.5 million in gross proceed from a private placement of 89 million shares at NOK 9.50 per share completed in January 2020. In addition, on 7 April 2020, it was approved to issue 13.35 million new shares in a subsequent offering, at the same price as in the January 2020 private placement, raising an additional NOK 126.8 million in gross proceeds.

Strategy

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

Since its origins in 1927 as part of Norsk Hydro, Nel has a proud history of development and continuous improvement of hydrogen technologies.

The hydrogen solutions from Nel 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-fueled vehicles today – without emissions.

In order to achieve success in an increasing market, which also will be increasingly competitive, it is our strategy to build a strong organisation, with highly competent and experienced key employees. Nel has strengthened important parts of the organization in 2019 and will continue to do so also in the coming years.

It is also a vital part of our strategy to develop and improve our products, in order to become more cost efficient and competitive, thereby both expanding the market and winning in competition. Nel has increased its efforts in product development during 2019 and will continue to do in 2020 and beyond.

The efforts to strengthen the organisation and our product development will require substantial resources the coming years but will pay off longer down the line.

Nel has so far engaged in the hydrogen value chain on its own. As the industry is still maturing, customers are frequently requesting Nel to take on a scope outside its core competence. Opportunities are also growing in size and complexity, and new markets continue to open up. Nel will therefore carefully consider possible partnerships in parts of the chain if this can strengthen our ability to realize the opportunities.

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. Nel's roots date to 1927, when Norsk Hydro developed large-scale electrolyser plants, providing renewable hydrogen for use in ammonia production with fertiliser as the end-product. Since then, 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 photovoltaic solar panels, and other industrial applications.

Of the total global hydrogen market, only 1% of hydrogen is generated via water electrolysis (called green hydrogen if the electricity source is renewable). 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 the transport sector and as a way of decarbonising various industrial sectors, e.g., replacing coal in the metal industry. 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 Hydrogen Electrolyser, as it makes Nel's portfolio of large-scale electrolyser products increasingly relevant.

Nel Hydrogen Electrolyser began commercial sales of electrolysers in the 1970s and has since delivered more than 3 500 electrolyser units over 80 countries. The business area has manufacturing facilities in Notodden, Norway, and in Wallingford, Connecticut, USA. The business area is preparing for a large scale production expansion at Herøya, Norway. Nel 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. As a result, cost reductions will be achieved that are important in making renewable hydrogen cost competitive with fossil hydrogen and fossil fuels.

Reduced cost and new electrolyser 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.

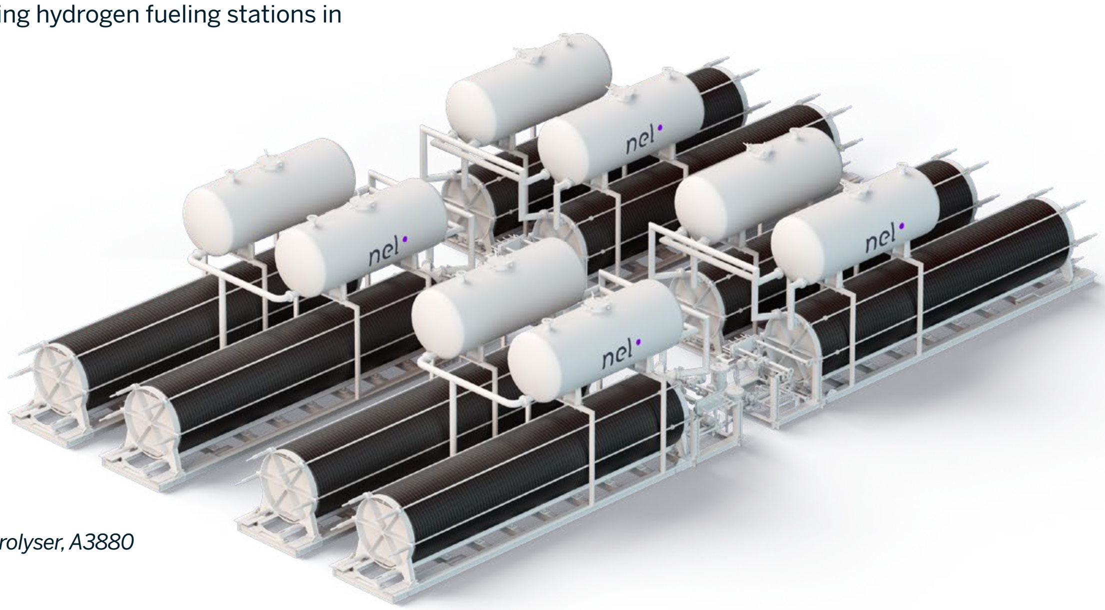
Nel Hydrogen Fueling is a leading manufacturer of hydrogen fueling stations that provide FCEVs (Fuel Cell Electric Vehicles) with the same fast fueling and long range as conventional fossil fuel vehicles. Since Nel began manufacturing hydrogen fueling stations in 2003, we have invested significantly in research and development. Today, Nel is one of few 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, 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 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.

In 2018, Nel opened the new 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.

Nel's 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*".



Atmospheric Alkaline Electrolyser, A3880

Developments

NEL HYDROGEN ELECTROLYSER

Production and installation of electrolysers for hydrogen production.

Nel Hydrogen Electrolyser recorded revenue and operating income of NOK 327.4 million, up from NOK 298.5 million in 2018. Growth in 2019 of 10% is driven by sales of PEM electrolysers.

Herøya Industrial Park

In August 2019, Nel announced securing a new location in Herøya Industrial Park (Herøya) for the planned expansion of manufacturing capacity of alkaline electrolysers. The new location at Herøya provides a number of benefits, including a potential to further expand capacity to more than 1 GW/year. Besides manufacturing, the other functions related to alkaline electrolyser operations will continue from Notodden.

In September 2019, Nel announced that the Norwegian public enterprise Enova SF had awarded a grant of NOK 9.25 million to Nel for engineering and design improvements in connection to the establishment of the world's largest, automated alkaline electrolyser production line at Herøya.

Electrolyser developments

In July 2019 the A1000 electrolyser was launched. The A1000 builds on the industry leading A-Range atmospheric alkaline platform, and comes in the size range of 600 to 970 Nm3/hr, allowing for flexible scale-up according to customer demand.

Green fertiliser project with Yara

Nel has been awarded a grant under the Norwegian PILOT-E scheme[1] for the development and realisation of a green fertiliser project together with Yara. The ambition of the project is to realise zero-emission fertiliser production using innovative solutions and cost-efficient hydrogen production from electrolysis based on renewable energy.

The project is leveraging on the development of Nel's next generation alkaline electrolyser, which is being developed for mega-scale hydrogen production from renewable energy. In August 2019 Nel signed a collaboration agreement with Yara related to the fertiliser project. The next-generation, pressurised alkaline electrolyser 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.

1 The PILOT-E scheme provides funding for Norwegian trade and industry and has been launched as a collaboration between the Research Council, Innovation Norway, and Enova. The objective of the scheme is to develop and utilise novel products and services in the field of environment-friendly energy technology as a means of reducing emissions both in Norway and internationally


The Herøya plant

NEL HYDROGEN FUELING

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

Nel Hydrogen Fueling recorded revenue and operating income of NOK 242.4 million, up from NOK 190.7 million in 2018. Growth in 2019 reached 27%, as a result of higher production and increased order intake.

Nel received 12 purchase orders for fueling stations in South Korea and invested in HyNet

In March 2019, Nel Korea, a wholly-owned subsidiary of Nel ASA, co-signed an agreement for the establishment of Hydrogen Energy Network (HyNet). 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 to have more than 300 stations operational by the same year. During 2019 Nel has sold 12 H2 stations to the South Korean market where 4 fueling stations are to HyNet and 8 fueling stations to other customers.

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

Nel was selected by the United States Department of Energy (DOE) for negotiations on USD 2 million funding for the development of hydrogen compression technology for the fueling of heavy-duty vehicles. The proposed funding will be shared between Nel and US-based hydrogen truck manufacturer, 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 market deployment of hydrogen-fuelled zero-emission heavy-duty trucks.

Shell contract

In January 2019, Nel entered into a contract with EQUILON Enterprises LLC (Shell Oil Products US) for the delivery of a H2Station® solution for fueling of heavy-duty vehicles in California. The heavy-duty market is showing a faster growth than earlier anticipated. Nel is gearing up efforts and technology developments to accommodate growth in this segment. In April 2019, Nel received purchase orders for the delivery of two additional H2Station® units for fueling of heavy-duty fuel cell electric trucks in California. In total the purchase orders from Shell have a value exceeding USD 13 million in 2019.

70MPa CAR Dispenser

CORPORATE DEVELOPMENT

Kjørbo incident
On Monday June 10, 2019, an incident occurred at the Kjørbo hydrogen station, located outside of Oslo, Norway. The investigation from safety consultancy Gexcon showed 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 deployed the group´s full resources to resolve the situation and implemented strict measures to prevent this ever happening again.

Finalised agreements related to Everfuel and signed sales and service agreement
In August 2019, Nel announced agreements related to the ownership structure in Everfuel had been finalised, including the signing of an exclusive equipment sales and service agreement. As a part of the agreement, Everfuel signed a longterm exclusive contract with Nel for delivery of electrolysers and fueling stations. Nel retained 19.9% ownership in Everfuel.

Successful private placement
Nel raised NOK 462.7 million gross proceeds through a private placement of 84.9 million new shares at a price per share of NOK 5.45 in January 2019. In addition, 12.5 million shares were issued in April 2019 in a subsequent offering at the same pricing per share, raising another NOK 68.1 million in gross proceeds.

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 (HDV)
- Development of high capacity cooling/compression technologies to accommodate future Nikola stations as well as other future HDV applications
- Development of next generation electrolyser 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 CORPORATE DEVELOPMENT

After year-end, Nel raised NOK 846 million in gross proceeds through a private placement of 89 million new shares at a price per share of NOK 9.50.

The net proceeds will be used to

- Maintain and strengthen market position through accelerated investments in technology and organisation to take advantage of the attractive market opportunities
- Strengthening the balance sheet and financial position to satisfy counterparty requirements on large scale projects
- The proceeds will also fund additional working capital in response to increased order volumes and contract sizes, as well as general corporate purposes

On 7 April 2020, it was approved to issue 13.35 million new shares in a subsequent offering, at the same price as in the private placement, raising NOK 126.8 million in gross proceeds.

The global outbreak of the COVID-19, and the extraordinary health measures imposed as a result, will cause disruptions in Nel´s value chain. This will in turn negatively impact revenues and operations, but it is as of today too early to estimate the effects.

ORGANISATION, STAFF AND MANAGEMENT

Through its operational business units, Nel employed 310 people at the end of 2019, compared to 239 at the end of 2018.

The Nel group management consists of the following seven group executives and two divisional heads:

- Chief Executive Officer: Jon André Løkke
- Chief Financial Officer: Kjell Christian Bjørnsen (appointed CFO effective 1 March 2020)
- SVP Nel Hydrogen Fueling: Jørn Rosenlund
- SVP Nel Electrolyser: Filip Smeets (joined February 2020)
- VP Investor Relations and Corporate Communication: Bjørn Simonsen
- VP Legal and General Counsel: Stein Over Erdal (joined May 2019)
- SVP Projects: Hans H. Hide (joined March 2019)
- Chief Technology Officer: Anders Søreng
- SVP Corporate Business Development: David T. Bow
- VP Business Development: Raluca Leordeanu

The company practices a policy of equal treatment on all assignments and promotions. Currently, 22% of the employees are women. Salaries, positions and duties are determined on the basis of qualifications and experience. The group has not adopted any further specific policies regarding workforce diversity or human rights.

No accidents or injuries were recorded in 2019. In 2019, the sick leave rate was 2.7%, compared to 2.3% in 2018.

CORPORATE SOCIAL RESPONSIBILITY

Following the global expansion of Nel, the group is committed to setting high standards for corporate social responsibility and sound business conducts across different borders and cultures. The group aims at a continued solid corporate culture and to preserve the integrity of the company by helping employees practice good business standards.

The group has adopted ethical guidelines as part of the corporate governance framework to maintain a high ethical standard in its business concept and relations with customers, suppliers, and employees. Consequently, the development and implementation of CSR guidelines, based on the guidance by the Oslo Stock Exchange on reporting of corporate responsibility will continue being a prioritised task throughout 2020. Nel aims to integrate ESG reporting in the annual accounts for the financial year 2020.

SHAREHOLDERS AND FINANCING

Nel's shares are listed on the Oslo Stock Exchange under the ticker “NEL”. At the end of 2019, the company had 1 222 102 783 outstanding shares, held by 23 145 shareholders. The nominal value of the Nel share is NOK 0.20 per share.

As a result of the developments and the share issues completed in 2019 and in January and April 2020, the company estimates it has sufficient working capital for the 12 months following the balance sheet date.

In accordance with section 3(3a) of the Norwegian Accounting Act, the board of directors, therefore, confirms that the going-concern assumption is met and that the annual accounts have been prepared in accordance with this assumption.

Nel has placed considerable emphasis on providing shareholders, and investors in general, with timely and relevant new information about the company and its activities in compliance with applicable laws and regulations. Nel is committed to increasing awareness of the share in Norway and abroad. The list of shareholders includes a considerable number of Nordic institutional investors and private investors.

RISKS AND UNCERTAINTY FACTORS

Nel's regular business activities entail exposure to various types of risk. The company proactively manages such risks and the board of directors regularly analyses its operations and potential risk factors and takes steps to reduce risk exposure.

Nel places strong emphasis on quality assurance and has quality systems implemented, or under implementation, in line with the requirements applicable to its business operations. After the Kjørbo incident, Nel has 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

Nel is operating in a fast-growing, emerging market, with a long list of initiatives in many regions. The need to address growth opportunities ahead of actual market demand, balanced with the need to conserve cash, is a continual challenge.

In this phase of fast growth there are especially risks associated with technological change, both related to technology elements within the field of hydrogen as well as technology elements outside hydrogen that potentially could make hydrogen less relevant for the future. Additionally, if competitors gain advantages in the development of alternative technologies, this could affect the competitive position of the group.

Further, Nel's ability to grow depends to a substantial degree on its ability to successfully acquire new customers, and to maintain and grow its relationships with a relatively small number of existing customers. A number of Nel's existing customers, including Nikola, operate in growth business segments, and should these customers fail to succeed with their business plans or fail to fulfil their contracts with Nel, Nel's sales to such customers may be adversely affected.

Nel is also to a certain degree dependent on a limited number of third-party suppliers for key production components for its electrolyser and hydrogen fueling products. To offset the sourcing risk Nel's supply chain strategy is to ensure dual supply chains on all components. Nel currently has few components with single source, hence there are generally other components available on the market that can fulfil the same need.

The timing of addressing such elements and risks is important. Moving too fast could result in an unnecessarily high cost level, with cash requirements beyond the current financing plan.

A complete range of operational, financial and market related risk factors is discussed in detail in note 25.

Outlook

Nel aims to capitalise on the arising opportunities within energy storage and hydrogen fueling 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.

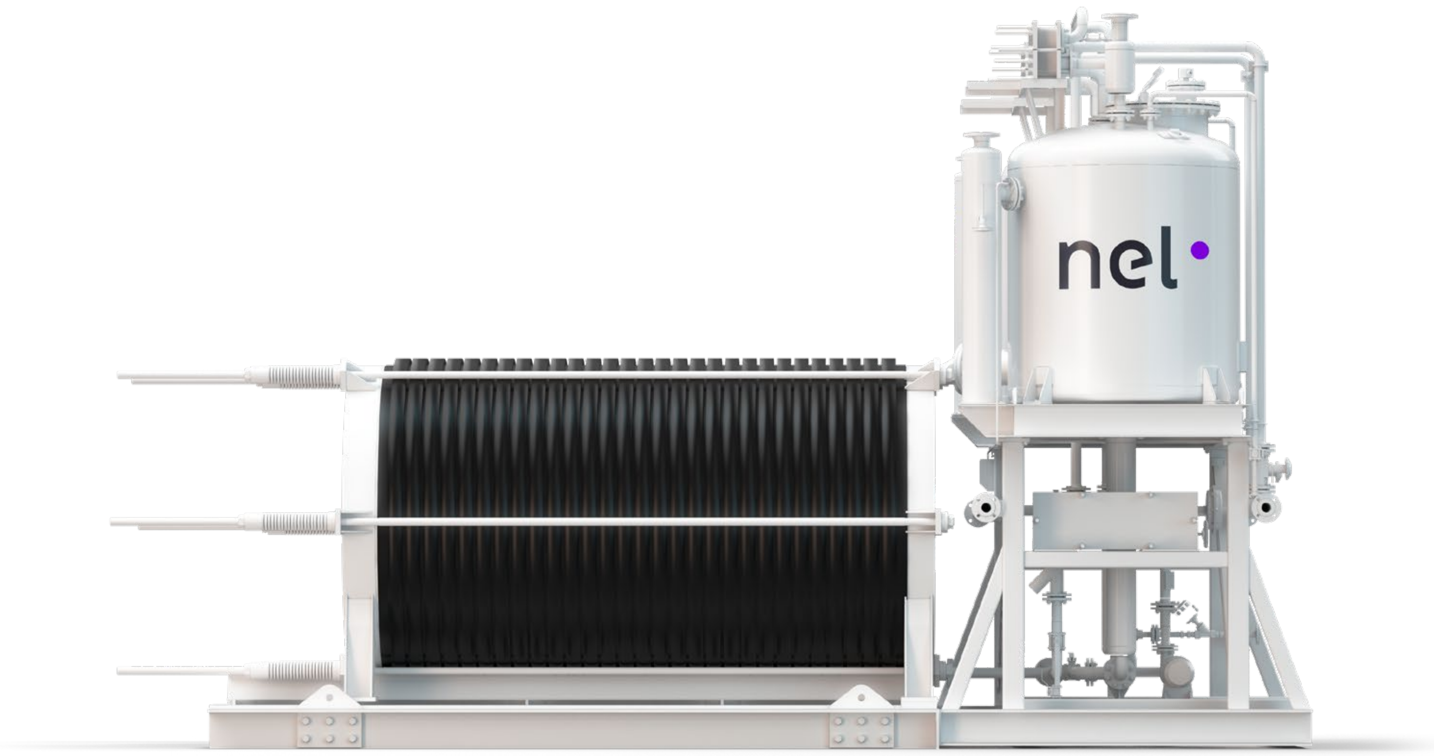
The hydrogen market is expected to grow significantly, and renewable hydrogen is on a trajectory to outcompete fossil hydrogen. There is an increased adoption of industrial hydrogen applications with huge overall potential. In addition, there is a strong momentum within mobility and especially for heavy duty applications such as trucks and buses. Renewable hydrogen as the preferred future fuel alternative will facilitate true zero emission from production to use.

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

Markets in which Nel operates show high activity and strong growth momentum, making it increasingly important to be a financially strong counterpart, especially for larger contracts.

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.

The global outbreak of COVID-19, and the extraordinary health measures imposed as a result, will cause disruptions in Nel´s value chain (supplier deliveries, own production, availability of personnel and customer orders). This will in turn negatively impact revenues and operations, but it is as of today it is too early to estimate the effects. Effects include increased risk of customer credit losses and potential non-recoverable COVID-19-related costs to deliver on customer contracts.



Atmospheric Alkaline Electrolyser, A150

OSLO, 22 APRIL 2020

THE BOARD OF DIRECTORS

Hanne Blume
Board member

(Sign)

Ole Enger
Chair of the Board

(Sign)

Beatriz Malo de Molina
Board member

(Sign)

Mogens Filtenborg
Board member

(Sign)

Finn Jebsen
Board member

(Sign)

Jon André Løkke
CEO
(Sign)

The vision of Nel is

EMPOWERING GENERATIONS WITH CLEAN ENERGY FOREVER

Our technology allows people and businesses to make everyday use of hydrogen, the most abundant element in nature.

Corporate governance

1. Report on corporate governance

The Norwegian Code of Practice for Corporate Governance is intended to strengthen confidence in listed companies and thereby promote the best possible value creation over time, for the benefit of shareholders, employees, and other stakeholders.

Observance of the recommendations is based on the "comply or explain" principle. Nel's board of directors and management have resolved to follow the recommendations of the Code to the extent deemed reasonable in view of the company's size.

The Norwegian Code of Practice for Corporate Governance can be found at www.nues.no. Nel will provide explanations of any non-compliance with the code.

Nel has introduced a set of corporate values and ethical guidelines and is evaluating to implement sustainability reporting based on the recommendation from Oslo Stock Exchange. This reporting process set out in the guidance is based on the GRI Sustainability Reporting Standards (GRI Standards). The guidance also builds on other international standards such as the UN Guiding Principles on Business and Human rights, the UN Global Compact, and the OECD's Guidelines for Multinational Enterprises.

2. Business

Nel ASA's business purpose is defined in the company's articles of association as follows: "The Company's business is to invest in and/or own rights in production and sale of hydrogen plants, hydrogen fueling stations, or other related areas." Further, the company's business strategy is described in the annual report under "Report from the board of directors".

3. Capital and dividend

The company's registered share capital as of 31 December 2019 consisted of 1 222 102 783 shares with a par value of NOK 0.20 per share.

Under the company's strategy, dividends are not currently planned during this stage of the business development process.

4. Equal treatment of shareholders and transactions with related parties

All shares in Nel carry one vote, and the shares are freely transferable. The company has only one share class, and all shareholders have equal rights. Existing shareholders are given priority in the event of share capital increases, unless special circumstances warrant deviation from this principle.

At the extraordinary general meeting on 28 March 2019, the board was granted authorisation to increase the share capital with up to NOK 24 219 158.80 through one or several capital increases. At the annual general meeting on 15 May 2019 the board was granted authorisation to acquire shares in Nel on behalf of the company, up to 10% of the face value of the share capital of the company, and not exceeding nominal value of NOK 24 288 976.00.

Transactions between the company and related parties, including members of the board or persons employed by the company either personally or through companies belonging to related parties, must be based on terms achievable in an open, free and independent market, or on a third-party valuation. Major transactions with related parties must be approved by the general meeting.

5. Free transferability

The company's shares are listed on the Oslo Stock Exchange under the ticker "NEL" and are freely transferable. The articles of association contain no restrictions on transferability.

6. General meeting

Shareholders can exercise their rights at general meetings, and the company wants general meetings to be a meeting place for shareholders and the board of directors. The company will seek to enable as many shareholders as possible to participate in general meetings. Meeting documents will be published on the company's website no later than 21 days before a general meeting. The company endeavours to ensure that meeting documents are sufficiently detailed to enable shareholders to take a view on all matters to be considered. The deadline for notifying attendance at a general meeting is set as close to the meeting as possible.

Shareholders who are unable to participate themselves may vote by proxy. The proxy form will be designed so that it can be used to vote on all matters up for consideration, and on candidates for election.

The company will encourage board members and nomination committee to attend general meetings. The external auditors are also invited to attend.

In accordance with the articles of association, general meetings are chaired by the board chair if no-one else is elected to do so. Minutes of general meetings are published in the form of stock exchange notifications and on the company's website.

7. Nomination committee

In accordance with Nel's articles of association, the general meeting has established a nomination committee comprising three members. These must be shareholders or representatives of shareholders. The nomination committee evaluates and proposes board members to the general meeting, and makes recommendations on director remuneration. No board members or representatives of company management are members of the nomination committee.

Nomination committee members are elected for a one-year term. At the general meeting on 15 May 2019, the following persons were elected to the nomination committee and serve until the 2020 annual general meeting:

- Leif Eriksrød, chair
- Jesper Boisen, member
- Fredrik Thoresen, member

8. Corporate assembly and board composition and independence

Nel has chosen not to have a corporate assembly due to the limited size of the company and the small number of employees. The functions of the corporate assembly have been transferred to the general meeting and board of directors.

The board members and chair of the board are elected by the general meeting. The board's composition is designed both to represent the interests of all shareholders and meet the company's need for expertise, capacity, and balanced decision- making. The board should function as an effective collegiate body.

The board is elected for a one year term, and board members may stand for re-election. The CEO is not a member of the board. According to its articles of association, Nel's board must have between four and seven members.

At the annual general meeting 15 May 2019, Ole Enger, chair of the board, Hanne Kristin Skaarberg Holen, Mogens Filtenborg, Beatriz Malo de Molina, Hanne Blume and Finn Jebsen were elected to the board of directors. Each of the board members are considered independent from the company's day-to-day management. The board is qualified to assess the day-to-day management and significant contracts entered into by the company on an independent basis.

See also note 29 (group) and note 4 (parent company) for transactions with related parties.

The shareholdings of directors and senior management are outlined in note 15.

9. The board's work

A plan for the board's work is prepared every year. The board has also adopted instructions for the board and CEO, detailing the work and responsibilities of the board and CEO, respectively. The board ensures the company's business is properly organised and that plans and budgets are prepared. The board's plans and rules of procedure ensure the board is kept informed of the company's financial position and that the business, asset management, and accounts are subject to internal controls.

The chair of the board ensures the proper functioning of the board. The chair of the board leads the board meetings and prepares board matters in cooperation with the CEO. The CFO keeps minutes of board meetings, which are approved and signed by all board members. In addition to ordinary board meetings, annual strategy meetings are held, devoted to the in-depth assessment of major challenges and opportunities for the group. The board manages the company's strategic planning and assesses its strategy regularly.

The board aims to evaluate its composition and board work at least once per year. The evaluation may also cover the way in which the board functions, at both individual and group level, in relation to the objectives that have been set for its work. The evaluation reports are presented to the nomination committee.

In 2019, the board of directors conducted 15 board meetings, held at group headquarters in Oslo, held as telephone meetings, and held by circulation of documents. In addition, one board meeting was held at the premises of Nel Hydrogen A/S in Herning, Denmark.

The company has an audit committee, which is governed by the Norwegian Public Limited Liability Companies Act. The members of the audit committee are appointed by and from the members of the board, and currently consist of Finn Jebsen and Beatriz Malo de Molina. In 2019, the audit committee consisted of Hanne Skaarberg Holen and Beatriz Malo de Molina. Both past and current members are independent of the company's management.

10. Risk management and internal controls

Risk management and internal controls are important to Nel. They enable the company to achieve its strategic objectives, and are an integral part of management decision-making processes, the organisational structure, and internal procedures and systems.

Risk management and internal control requirements have been evaluated by management and the board of directors, and a set of appropriate procedures has been established. In this context, emphasis is also given to ensuring that the company operates in accordance with accepted ethical guidelines and values, including guidelines on how employees can communicate matters relating to illegal or unethical behaviour on the company's part to the board. Nel believes that its values and control procedures meet social responsibility requirements and are proportionate to the scope and nature of its business and is evaluating to develop social responsibility guidelines.

Nel's regular business activities entail exposure to various types of risk. The company proactively manages such risks, and the board regularly analyses its operations and potential risk factors and takes steps to reduce risk exposure. Nel places a strong emphasis on quality assurance, and has quality systems implemented, or under implementation, in line with the requirements applicable to its business operations.

The full range of risk factors is discussed in more detail in the notes to the annual accounts.

The company's financial reporting complies with the laws and regulations applicable to companies listed on the Oslo Stock Exchange. Nel has also adopted basic financial reporting procedures and guidelines. The board of directors reviews the Nel's financial position frequently through reporting and reviews at board meetings, and reviews the financial statements at the end of every quarter. At least once per year, the board assesses the company's risk profile by reference to strategic, operational, and transactional factors.

As a listed company, Nel has a special responsibility relating to the insider trading rules, the provision of information, and share trading. The company has guidelines to ensure board members, senior management, and other insiders comply with relevant legislation and rules relating to insider trading in the company's shares.

11. Board remuneration

Nel's general meeting determines the remuneration of the board of directors based on a recommendation by the nomination committee. Board remuneration must reflect the board's expertise and time investment, as well as the complexity of the business and the fact that Nel is a listed company. Remuneration takes the form of a fixed annual amount, and is not tied to the company's performance or share price.

In this regard, please also see the assessment regarding the independence of the directors and chair of the board set out in section 8 above.

The board remuneration for 2019 is outlined in note 6.

12. Remuneration of senior management

The board prepares guidelines on the remuneration of the company's senior management. These guidelines, as well as details of the remuneration packages of the CEO and other senior executives, are set out in the notes to the annual accounts.

The guidelines on the remuneration of senior management must be submitted to the general meeting. The board considers that the remuneration paid to senior management reflects market practice and that the remuneration packages do not include any unreasonable terms, for example in connection with resignation or termination of employment.

Incentive schemes for the CEO and other employees are set out in the notes to the annual accounts.

The incentive schemes cover all non-temporary employees, and have been submitted in detail for the general meeting's approval.

13. Information and communication

The company publishes a financial calendar on an annual basis, which includes the dates of general meetings and dates for the presentation of interim reports. All press releases and stock exchange notifications are posted on Nel's website, www.nelhydrogen.com. Stock exchange notifications are also available at www.newsweb.no.

The company complies with all applicable disclosure laws and practice, including equal treatment requirements. The ability to provide information about the company in addition to published reports is restricted under stock exchange regulations. Inside information is only released to persons other than primary insiders when the company considers it necessary, and then only in accordance with a system of insider declarations and insider lists.

The insider lists are maintained by the CFO.

Nel wishes to maintain a constructive, open dialogue with its shareholders, analysts, and the stock market in general. The company holds regular presentations for investors, analysts, and shareholders. The company's CEO is responsible for external communication and investor relations. The CEO and chair of the board are both authorised to speak on behalf of the company, and may delegate their authority in this regard as they consider appropriate.

14. Company takeovers

In the event of a takeover situation, the company's board and management will endeavour to ensure the equal treatment of shareholders. The board will ensure that shareholders are given information and time to evaluate any bona fide bid, and will endeavour to provide a recommendation to shareholders as to whether or not the bid should be accepted. The board and management will help ensure that there are no unnecessary disruptions to the business in the event of a takeover. Moreover, such a situation will be governed by the provisions applicable to listed companies.

15. Auditor

The auditor attends the board meeting at which the annual financial statements are approved. As part of the approval, the board of directors should at least once a year review the group's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement. The auditor presents an annual audit plan to the audit committee.

The board has adopted guidelines on management's use of the auditor for services other than auditing. The notes to the accounts state that use of the auditor for other services has been limited.

The fee payable to the auditor is specified in note 8 to the annual accounts, and is categorised under the item statutory audit and other services. The board submits proposals regarding the fees payable for the statutory audit to the general meeting for approval.

Members of the board

OLE ENGER, CHAIR OF THE BOARD

Mr. Enger (born 1948) has worked as CEO in Nordsilmel, Elkem, SAPA, REC, REC Solar and has been in the executive management of Norsk Hydro and Orkla. Ole Enger has an educational background from Norwegian University for Environment and Life Sciences, NHH (Norwegian School of Economics) and IMDE Business School. He has board experience as both chairman and board member of a number of private and listed companies. Mr. Enger is a Norwegian citizen and lives in Oslo. Mr. Enger has been a board member since 2017.

MOGENS FILTENBORG, BOARD MEMBER

Mr. Filtenborg (born 1957) is the owner and director of the investment and consultancy company Zuns ApS. Mr. Filtenborg has worked for Vestas Wind Systems A/S as Executive Vice President, member of management board and director of operations/CTO. Further, Mr. Filtenborg has worked for SKOV A/S as CEO. He serves as chairman and director of several private and listed companies. Mr. Filtenborg is educated at the University of Aalborg, Denmark as an engineer. He is a Danish citizen and resides in Sunds, Denmark. Mr. Filtenborg has been a board member since 2016.

HANNE BLUME, BOARD MEMBER

Ms. Blume (born 1968) is the CHRO in TDC NetCo and has previously held the position as CHRO in Ørsted and DONG Energy, vice president in QHSE and different management positions in the energy sector. Ms. Blume holds a master's degree in Business administration and commercial law from Aarhus School of Business and Oregon State University. She has management and board experience from both listed and private companies. Ms. Blume is a Danish citizen and resides in Juelsminde in Denmark.

FINN JEBSEN, BOARD MEMBER

Mr. Jebsen (born 1950) has worked for Mars Inc. in the US and Norway and later for 25 years at Orkla ASA, where he held positions as Business Development Manager, CFO, EVP of Financial Investment Division, EVP of Branded Consumer Goods Division, and CEO. From 2005, he has been working as a professional board member and chairman of several private and listed companies. Mr. Jebsen holds a master's degree in business from NHH and a MBA from UCLA. Mr. Jebsen is a Norwegian citizen and lives in Oslo. Mr. Jebsen has been a board member since 2017.

BEATRIZ MALO DE MOLINA, BOARD MEMBER

Ms. Malo de Molina (born 1972) has worked as Senior Vice President and Head of M&A at Orkla ASA and has previously held positions at Kistefos Private Equity and McKinsey & Co. in Oslo, Goldman, Sachs & Co. in London, Frankfurt, New York City and Mexico City and Ernst & Young's financial advisory department in New York City. She graduated from Georgetown University in Washington D.C., attended the Haupt- und Wirtschaftsuniversität in Vienna, Austria and holds a master's degree in philosophy from UiO in Oslo. Ms. Malo de Molina has board experience from listed and private companies both in Norway and internationally, including chairmanship positions. Ms. Malo de Molina is a Spanish citizen and is now a Permanent Resident of Norway. Ms. Malo de Molina has been a board member since 2017.

Management

Corporate management

JON ANDRÉ LØKKE, CEO

Jon André Løkke was appointed Chief Executive Officer (CEO) in 2016. Mr. Løkke comes from the position as CEO of Norsk Titanium AS, developing and industrialising 3D printing technology for the production of titanium components for the aerospace and other industries. He has ten years' experience from the REC Group, including positions as senior vice president in REC Wafer, investor relations officer in REC ASA, and CFO in REC ASA. Mr. Løkke has also worked for the ABB Group and holds an International MBA degree from Glasgow University and a bachelor degree in business and economics from Southampton University.

KJELL CHRISTIAN BJØRNSEN, CFO FROM 1 MARCH 2020

Kjell Christian Bjørnsen joined Nel as CFO on March 1, 2020. He served as Chief Financial Officer of the Kavli Group since 2014 and was appointed Chief Financial Officer of Nel from 1 March 2020. He has held positions within business development, strategy and finance in several global industrial companies, including the CFO position of REC ASA. He holds a MSc in Chemical Engineering from the Norwegian University of Science and Technology (NTNU). Until 1 March 2020 Bent Skisaker served as CFO of Nel, a position he had since 2016.

JØRN ROSENLUND, SVP NEL HYDROGEN FUELING

Jørn Rosenlund was appointed as SVP Nel Hydrogen Fueling in 2016. Previously, he held a position as COO in H2 Logic. Mr. Rosenlund has a background of 15 years in senior management positions on operations and supply chain management in EagleBurgmann (2013-2015) and Danfoss (2000-2013) with several years working in Denmark, USA, Canada, and Germany.

FILIP SMEETS, SVP NEL HYDROGEN ELECTROLYSER

Filip Smeets was appointed SVP Nel Electrolyser Division in February 2020. Mr. Smeets has been in the electrolyser industry for more than 10 years and comes from a position as Managing Director for Hydrogenics in Belgium where he was responsible for the company´s electrolyser activities. Prior to that he held senior positions in several global industrial companies such as Cabot Corporation and Cytec Industries. Mr. Smeets holds a master's degree in chemistry from the University of Antwerp, Belgium.

BJØRN SIMONSEN, VP INVESTOR RELATIONS AND CORPORATE COMMUNICATION

Bjørn Simonsen joined Nel in 2014. With more than 10 years' experience from the hydrogen sector, he began his career as a research engineer at Institute for Energy Technology (IFE), followed by key positions in the Norwegian hydrogen arena, including Secretary General of the Norwegian Hydrogen Association. He holds a MSc in Process Engineering from the Norwegian University of Science and Technology (NTNU).

STEIN OVE ERDAL, VP LEGAL AND GENERAL COUNSEL

Stein Ove Erdal joined Nel as Vice President Legal and General Counsel in May 2019. Erdal comes from a position as an Associate General Counsel in Nexans Norway AS where he worked for nine years with complex offshore EPCI and EPC projects. He also has experience from working as a lawyer in the oil and gas division of Arntzen de Besche, as a deputy judge and as a defence counsel. Erdal holds a Cand. Jur., Qualifying Law Degree, from the University of Oslo.

HANS H. HIDE, SVP PROJECTS

Hans H. Hide joined Nel in March 2019. Mr. Hide has since 2012 held management positions in some of Kvaerner's largest projects within the oil and gas sector. He has previously served as Project Portfolio Manager in ALSTOM, and as Vice President Projects in REC, where he also held several management positions in the projects covering REC's expansion program within Solar and Silicon.

ANDERS SØRENG, CTO

Anders Søreng joined Nel in 2016. In addition to the role of CTO, he had the role as SVP Nel Hydrogen Electrolyser until February 2020. He has previously served as Senior Vice President in REC Solar, where he had various management positions since 2008. Mr. Søreng has worked as SVP & CTO of Norsk Titanium and holds a PhD from the Norwegian University of Science and Technology (NTNU).

DAVID BOW, SVP CORPORATE BUSINESS DEVELOPMENT

David Bow joined Nel ASA in August 2017. Prior to Nel he worked at Proton OnSite from 2014, where he had the title Senior Vice President of Sales and Marketing. He had the position as Senior Vice President of Global Commercial Development in Cosa+Xenatu Corporation. Mr. Bow holds an Executive Finance-Executive Master of Business Administration program from Kellogg School of Management, Northwestern University, Chicago.

RALUCA LEORDEANU, VP BUSINESS DEVELOPMENT

Raluca Leordeanu joined Nel as VP Business Development in August 2018. She previously had various leadership positions, including VP Corporate Strategy and Planning at Norsk Titanium AS, a startup in Titanium 3D printing for Aerospace. She has an international experience from McKinsey&Co, where she worked mainly on Renewables and Strategy advising companies on four continents. Mrs. Leordeanu holds a Master of European Business Law from Lund University.

****

"We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2019, up to and including 31 December 2019, have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and that the directors' report includes a fair review of the development and performance of the business and the position of the company as a whole, together with a description of the principal risks and uncertainties the company faces."

OSLO, 22 APRIL 2020

THE BOARD OF DIRECTORS

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


CE0036

Consolidated financial statements 2019 Nel group

Consolidated statement of comprehensive income

(Amounts in NOK thousands)

Nel group

	NOTE	2019	2018
Revenue from contracts with customers	3, 4	519 051	453 187
Other operating income	7	50 657	35 861
Total revenue and operating income		569 707	489 049
Cost of goods sold		342 374	298 545
Personnel expenses	6	243 194	182 726
Depreciation and amortisation	11, 12	75 500	64 470
Other operating expenses	8	162 234	139 369
Total operating expenses		823 302	685 110
Operating loss		-253 595	-196 061
Finance income	26	12 643	4 818
Finance costs	26	-6 501	-1 529
Share of loss from associates and joint ventures	19	-29 786	-4 731
Pre-tax loss		-277 238	-197 503
Tax expense (-income)	9	-7 529	-8 676
Net loss attributable to equity holders of the company		-269 710	-188 827
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS (NET OF TAX)			
Currency translation differences		2 240	31 356
Cash flow hedges, effective portion of changes in fair value	21	-2 388	0
Cash flow hedges, reclassified to income statement	21	1 602	0
Comprehensive income attributable to equity holders of the company		-268 256	-157 471
Earnings per share (NOK) attributable to Nel shareholders	24	-0.22	-0.18
Diluted earnings per share (NOK) attributable to Nel shareholders	24	-0.22	-0.18

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

Nel group

ASSETS	NOTE	2019	2018
NON-CURRENT ASSETS			
Technology	11	451 736	422 040
Customer relationship	11	57 185	69 151
Goodwill	11	609 154	608 837
Property, plant and equipment	12	256 170	135 383
Investments in associates and joint ventures	19	3 795	18 451
Non-current financial assets	22	62 294	53 882
Total non-current assets		1 440 334	1 307 746
CURRENT ASSETS			
Inventories	13	205 234	134 804
Trade receivables	17	183 333	108 659
Contract assets	4	37 103	8 212
Other current assets	18	38 688	35 233
Cash and cash equivalents	14	525 982	349 747
Total current assets		990 340	636 655
TOTAL ASSETS		2 430 673	1 944 401

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel group	
EQUITY AND LIABILITIES	NOTE	2019	2018
EQUITY			
Share capital	15	244 421	222 710
Treasury shares	15	-14	-12
Share premium	15	2 089 418	1 585 570
Other capital reserves	15	36 256	29 946
Retained earnings	15	-575 112	-309 432
Other components of equity	15	51 649	50 196
Total equity		1 846 618	1 578 978
NON-CURRENT LIABILITIES			
Deferred tax liabilities	9	63 343	69 481
Long-term debt	10	30 577	32 859
Lease liabilities	16	79 121	0
Deferred income	5	59 015	48 941
Other non-current liabilities	18	11 590	14 949
Total non-current liabilites		243 646	166 230
CURRENT LIABILITIES			
Trade payables		92 197	69 473
Lease liabilities	16	12 066	0
Contract liabilities	4	147 481	68 640
Provisions	27	33 704	23 396
Other current liabilities	18	54 961	37 684
Total current liabilities		340 409	199 193
Total liabilities		584 055	365 423
TOTAL EQUITY AND LIABILITIES		2 430 673	1 944 401

OSLO, 22 APRIL 2020

THE BOARD OF DIRECTORS

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

Consolidated statement of cash flows

(Amounts in NOK thousands)

Nel group

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2019	2018
Loss before tax		-277 238	-197 503
Interests cost, reversed	26	4 715	704
Interests income, reversed	26	-9 515	-3 271
Depreciation and amortisation	11, 12	75 500	64 470
Change in provisions		68 947	16 704
Change in inventories	13	-70 430	3 919
Change in trade receivables	17	-74 674	-11 868
Change in trade payables		22 723	4 616
Changes in other current assets and other liabilities		50 743	-20 591
Net cash flow from operating activities		-209 228	-142 820
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investments in tangible and intangible assets	11, 12	-118 862	-94 513
Investments in other financial assets	22	-7 849	-42 131
Loan given to associates and joint ventures	19	-5 975	-9 796
Investments in associates and joint ventures	19	-3 085	-3 478
Acquisition of subsidiaries		0	-6 883
Sale of subsidiaries	20	1 653	0
Acquistion of subsidiaries cash balance		0	13 342
Net cash flow from investment activities		-134 118	-143 458
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid	26	-4 715	-704
Interests received	26	9 515	3 271
Gross cash flow from share issues	15	545 984	332 259
Transaction costs from share issues	15	-20 426	-12 954
Proceeds from new loan	10	0	27 280
Payment of lease liabilities	16	-8 163	0
Payment of non-current liabilities		-2 700	-8 378
Net cash flow from financing activities		519 496	340 773
Foreign currency effects on cash		86	252
Net change in cash and cash equivalents		176 235	54 747
Cash balance as of 01.01		349 747	295 000
Cash balance as of 31.12	14	525 982	349 747

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

Nel group

(Amounts in NOK thousands)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
	Paid in capital						
	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	TREASURY SHARES	RETAINED-EARNINGS	OTHER COMPONENTS OF EQUITY	TOTAL EQUITY
Equity as of 31.12.2017	199 743	1 289 233	19 188	-4 405	-113 213	18 840	1 409 386
Opening balance adjustment - IFRS 15 adoption					-3 037		-3 037
Equity as of 1.1.2018	199 743	1 289 233	19 188	-4 405	-116 250	18 840	1 406 350
Net loss attributable to equity holders of the company					-188 827		-188 827
Currency translation differences						31 356	31 356
Increase of capital 2018	22 967	296 337					319 305
Options and share program			10 746	4 124	-4 124		10 746
Other changes			12	268	-232		49
Equity as of 31.12.2018	222 710	1 585 570	29 946	-12	-309 433	50 196	1 578 978
Net loss attributable to equity holders of the company					-269 710		-269 710
Cash flow hedges						-786	-786
Currency translation differences						2 240	2 240
Increase of capital 2019	21 710	503 848					525 558
Options and share program			6 310	-2	2		6 310
Other changes					4 028		4 028
Equity as of 31.12.2019	244 421	2 089 418	36 256	-14	-575 112	51 649	1 846 618

Notes to the consolidated financial statements

Note 1 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 as part of Norsk Hydro, Nel has 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 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 parent company financial statements were approved by the Board of Directors on 22th of April 2020.

Note 2a Summary of significant accounting principles

Basis of preparation

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Accounts are based on the principle of historical cost, except for certain financial instruments, which are measured at fair value. The consolidated financial statements are presented in the functional currency of Nel ASA, the Norwegian krone (NOK) and all values are rounded to the nearest thousand, unless when indicated otherwise. The financial statements are prepared based on a going concern assumption.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as of 31 December 2019. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in statement of comprehensive income.

Investment in associates and joint ventures

An associate is an entity where the group has significant influence, but not control or joint control. A joint venture is an entity where the group has joint control contractually together with one or several other parties, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The group's investments in its associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. The statement of profit or loss reflects the group's share of the profit or loss in equity-accounted investees. Any change in OCI of those investees is presented as part of the group's OCI.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of loss from associate and joint venture' in the statement of comprehensive income.

Long-term loan that forms party of the net investment in the associate or joint venture are measured at amortised cost. The expected credit loss model in IFRS 9 applies and any losses is recognised within 'Share of loss from associate and joint venture' in the statement of comprehensive income.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests (if applicable) in the acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquirer's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in operating expenses. When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree, if applicable.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

In accordance with IFRS the group tests at least annually whether it is necessary to do an impairment of capitalised goodwill. The value of the CGUs will be stipulated as the recoverable amount, which is the higher of net sales value and utility value. The estimated recoverable amount is calculated on the basis of the present value of budgeted cash flows. The calculation requires the use of estimates relating to future cash flows, uncertainty will normally attach to these cash flows. Events, changes in assumptions and management assessments will all affect the evaluation of impairments in the relevant period. Please refer to note 11 for further information.

Customer relationship

Customer relationship is acquired through business combinations. Customer relationship is initially measured at cost and subsequently amortised over useful life, using the straight-line method. At period end customer relationship is recognised at historical cost after the deduction of accumulated depreciation and impairments.

Revenue from contracts with customers

The group is in the business of providing electrolysers and Hydrogen Fueling Stations equipment and installation services. Revenue from contracts with customers is generally recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. See note 2b for further details of implementation effect.

Revenue recognition is determined on a contract to contract basis by determining the terms and performance obligations given in a specific contract. Based on the specific contract and its obligations, revenue under IFRS 15 is either recognised at a point in time or over time.

The group's revenues result from the sale of goods or services and reflect the consideration to which the groups expect to be entitled. IFRS 15 requires the group to assess revenue recognition based on a five-step model. For its customer contracts, the group identifies the performance obligations (goods or services), determines the transaction price, allocates the contract transaction price to the performance obligations, and recognises the revenue when (or as) the performance obligations are satisfied. A good or service is transferred when (or as) the customer obtains control of that good or service.

The group generates revenue from customer contracts from two principal sources: product and equipment sales and service and aftermarket sales. Part of the product and equipment sales are generated from standard products and the other part are from new and customised equipment.

In general, customer payments are due in 30 to 60 days. In certain circumstances based on the order value, credit worthiness of geographic location, the group may require payment in advance of shipment. The group does not have variable consideration. The group does not accept returns of product or provide customers refunds or other similar concessions.

Revenue from sale of standard product and equipment

The group recognises revenue at the point in time at which it satisfies a performance obligation by transferring the control of a good or service to the customer, generally this is at shipment. The customer has control of a good or service when it has the ability to direct the use of and obtain substantially all of the remaining benefits from the good or service. The point in time measurement basis is the main method of recognising revenue in Electrolyser US division and aftermarket segment in the Electrolyser Norway division.

Revenue from sale of customised product and equipment

When it is determined that a performance obligation is satisfied over time, Nel recognise revenue over the period the performance obligation is satisfied, using an input method that best depicts the pattern of the transfer of control over time. Input methods are used to recognise revenue on the basis of Nel's effort (or inputs) to the satisfaction of a performance obligation relative to the total expected inputs needed to satisfy that performance obligation. Input methods can include labour hours used, costs incurred and time elapsed.

In the circumstance that the cost directly related to project is expected to exceed the directly related revenues, the estimated loss on the contract will be recognised in its entirety in the period when this is identified.

The progress-based measurement of revenue is the main method of recognising revenue from newbuild projects in the group.

The group periodically enters into arrangements with customers that involve multiple elements. The group assesses such contracts to evaluate whether there are multiple deliverables, and whether the transaction price under the arrangement is being appropriately allocated to each of the performance obligations.

Service and aftermarket revenues

For separately sold operating and maintenance contracts where the group has agreed to provide routine maintenance services over a period of time for a fixed price, revenue is recognised rateably over the contract period.

For sales of replacement cell stacks, revenue is recognised when performance obligation is satisfied generally upon delivery of cell stacks.

For service and repair contracts, revenue is recognised as work is performed

Warranty costs:

The groups warranty to customers is limited to replacement parts and services and generally expires one year from the date of shipment or contract completion. In some instances, extended warranty on products are sold as part of an equipment sale to a customer. These warranty obligations are recognised rateably over the contract period.

Estimated warranty obligations are recorded in the period in which the related revenue is recognised or when a project is installed or commissioned. The group quantifies and records an estimate for warranty related costs, which is principally based on historical experience. The accounting for warranties requires the Group to make assumptions and apply judgments when estimating product failure rates and expected material and labour costs. The group adjusts accruals as warranty claim data and historical experience warrant. If actual results are not consistent with the assumptions and judgments used to calculate the warranty liability because either failure rates or repair costs differ from the groups assumptions, the group may be exposed to gains or losses that could be material.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. As of the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within “contract assets”. When the contract assets become an unconditional right to consideration they are reclassified and presented separately as trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the group performs under the contract. Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within “contract liabilities”. Advances received are included within “contract liabilities”.

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. The policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee
At commencement date or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The Group has not chosen to follow the practical expedient to account for the lease and non-lease components as a single component. Non-lease components are treated separately in other standards than IFRS 16.

The group recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by considering various interest rates (risk free rate and risk premiums) and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following; i) fixed payments and ii) variable lease payments that depend on an index, initially measured using the index or rate as at the commencement date. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Group presents right-of-use assets in 'property, plant and equipment' and the lease liabilities within 'lease liabilities', divided into current and non-current portions.

Short-term leases and leases of low value assets
Nel have elected the practical expedient of treating short-term leases and low value assets outside the scope of IFRS 16

As a lessor
To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption, then it classifies the sub-lease as an operating lease.

Policy applicable before 1 January 2019
In the comparative period, as a lessee the Group classified leases as either finance lease or operating lease. The Group classified leases that transferred substantially all of the risk and rewards of ownership as finance leases, all other was classified as operating lease. Operating leases were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

Research and development
Research activities are defined as activities whose purpose is to generate new technological understanding or knowledge. Research costs are expensed as incurred.

Development expenditures on an individual project are recognised as an intangible asset when the group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- How the asset will generate future economic benefits

- Its intention to complete and its ability and intention to use or sell the asset
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Sufficient substantiation is deemed to exist when necessary regulatory approvals for sales and marketing are in place, and when future economic benefits are supported through estimates. Capitalised development costs are recognised at historical cost after the deduction of accumulated depreciation and impairments. The capitalised value is amortised over the period of expected future earnings from the related project on a straight-line basis. Gains and losses that arise on the sale of an intangible asset are measured as the difference between the net proceeds of the sale and the book value on the transaction date.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grants relate to an expense item, it is normally recognised as other operating income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Grants received that relate to an acquisition or development of assets has been presented "gross" in Nel's financial statements. A gross presentation entails that the grant received is presented separately as deferred income. The deferred income is presented as a non-current liability and is amortised over the useful life of the related asset. The amortised part of the deferred income is presented as other operating income in the statement of comprehensive income.

Pensions

The group has defined contribution pension scheme for its employees. This scheme is funded through payments to insurance companies. A defined contribution plan is one under which the group pays fixed contributions to a separate legal entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the group pays contribution to publicly- or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as a salary expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share capital

The share capital comprises the number of shares multiplied by their nominal value and are classified as equity. Expenses which can be attributed directly to the issue of new shares or options (less tax) are recognised in equity as a reduction in the proceeds received.

Tax

The tax expense in the statement of comprehensive income comprises of the tax payable for the period and of the change in deferred tax. Deferred tax is calculated at the prevailing tax rate in the respective countries where the parent company and subsidiaries are tax resident. Deferred tax is calculated on the basis of temporary differences that exist between accounting and tax values, as well as any tax loss carry forward at the end of the financial year. The deferred tax asset is recognised if it is probable that the company will have a sufficient tax profit to be able to utilise the tax asset.

The group recognises deferred tax assets not previously recognised in the accounts insofar as it has become probable that the group can utilise the deferred tax asset. Similarly, the group will reduce the deferred tax asset insofar it has become probable that the group can no longer utilise the asset. Deferred tax assets and the deferred tax liabilities are recognised at their nominal value and are classified as non-current assets or non-current liabilities, respectively.

Property, plant and equipment

Fixed assets are recognised at cost price after deduction for accumulated depreciation and any impairment. The assets are depreciated using the straight-line method over the expected useful life of the asset. Costs of direct maintenance on the operating assets are expensed as incurred. Additional investments and improvements are added to the asset's cost price and depreciated in line with the remaining useful life of the asset.

Trade receivables

Trade receivables are initially recognised at their transaction price, i.e. the amount of consideration to which Nel expects to be entitled for transferring the promised goods or services to the customer. Trade receivables are subsequently accounted for at amortised cost and are reviewed for impairment on an ongoing basis. Trade receivables are generally not discounted. Trade receivables are presented net of expected credit losses. Changes in the expected credit loss are recognised within other operating expenses in statement of comprehensive income. See section 'impairment of non-derivative financial assets' for measurement of expected credit loss (ECL).

Inventories

Inventories comprises purchased raw materials, work in progress and finished goods. Inventories is valued at the lowest of cost and net realisable value less costs to sell. Obsolescence is considered for inventory and write-down is performed on obsolete goods.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and all other monetary items due within three months or less.

Impairment of non-derivative financial assets

Nel recognises loss allowances for ECLs on:

a) Financial assets measured at amortised cost; and

b) Contract assets

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to Nel in accordance with the contract and the cash flows that Nel expects to receive).

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment of non-financial assets

An assessment of impairment of tangible- and intangible assets with definite useful lives is made if there is an indication of impairment. Regardless of whether there are indications of impairment, goodwill and intangible assets with indefinite life are tested for impairment at least annually.

If the impairment test reveals that an asset's carrying amount is higher than the recoverable amount, an impairment loss will be recognised. The recoverable amount is the higher of the fair value less cost to sell and the amount estimated in a value in use calculation. The fair value less cost to sell is the amount that can be obtained in an orderly transaction between market participants subtracted the sales costs. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash generating unit to which the asset belongs.

If there are indications that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased, the recoverable amount of that asset is estimated. Reversal of impairment losses are only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined (net after depreciation) if no impairment loss had been recognised previously. The reversal of previous impairment loss is recognised when the reversal can be related to an event after the impairment loss was recognised.

Impairment losses previously recognised on goodwill are not reversed.

Foreign exchange and currency

Transactions in foreign currencies are converted to functional currency to the exchange rate on the transaction date. Exchange rate gains and losses are recognised within 'finance income' and 'finance cost', respectively, in the profit or loss. Foreign currency monetary items are translated into functional currency using the balance sheet closing rates. Non-monetary items that are measured in terms of historical cost in a foreign currency continue to be translated using the exchange rate that prevailed at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates that prevailed at the date when the fair value was measured.

The statement of comprehensive income items from the subsidiaries are converted to NOK using the respective monthly average exchange rates, while balance sheet items are converted using the rate at the balance sheet closing date. Exchange rate gains and losses are recognised net within Other comprehensive income and accumulated in Currency translation differences in Other components of equity.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are initially measured at fair value. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with firm commitments and highly probable forecast transactions arising from changes in foreign exchange rates. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or a highly probable forecast transaction. Nel accounts for a hedge of foreign currency risk as a cash flow hedge, including also exposures to an unrecognised firm commitment. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The group designates the currency forward contracts on a 'forward basis', which includes both the spot element and the forward element. Then the full fair value of the hedging instrument is used in measuring ineffectiveness. The amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected cash flows affect profit or loss.

Earnings per share

Earnings per share are calculated by dividing the profit/loss for the year by the corresponding weighted average of the number of outstanding shares during the reporting period. The key figure 'diluted earnings per share' is based on the same calculation as for earnings per share, but it also takes into account all potential shares with dilutive effect that have been outstanding during the period. Potential shares relate to agreements that confer the right to issue shares in future. Options are excluded if their effect would have been anti-dilutive.

Objectives, policies and processes for managing capital

The group's objective is to manage the capital structure to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The group sets the size of capital in proportion to business strategy, risk and financial market conditions. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions, perceived risk associated with product development and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of new share issue, dividends paid to shareholders, return capital to shareholders, and sell assets to reduce debt or increase the debt by taking up loans.

Provisions, contingent liabilities and contingent assets

The group makes provisions when a legal or constructive obligation exists as a result of past events, it is more likely than not that a transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

When the group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. When the effect is significant, provisions are calculated by discounting expected cash flows at a pre-tax rate that reflects the time value of money and if appropriate the risks specific to the liability. Increase in provisions as a result of time passing, is presented as interest expense.

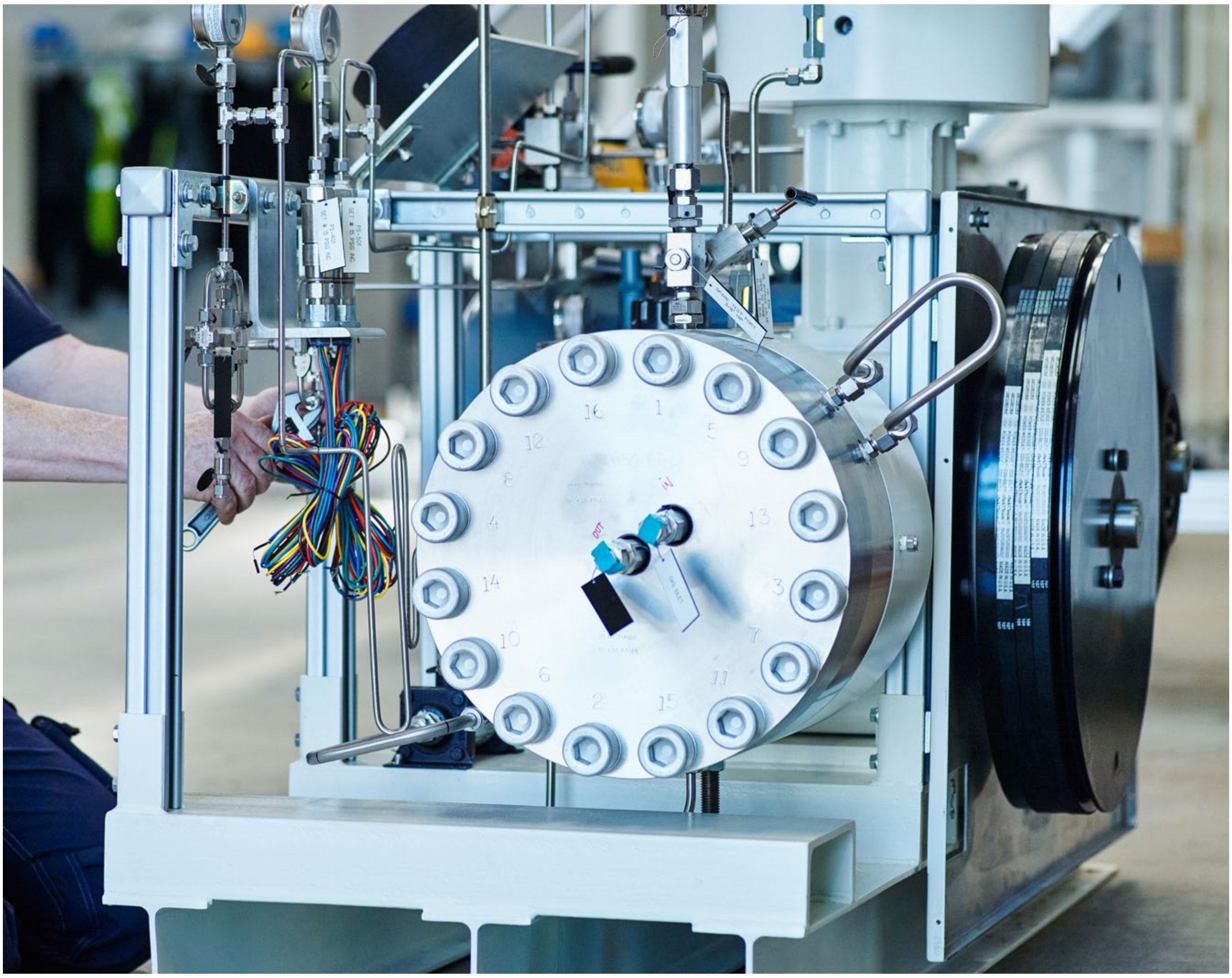
Information regarding significant contingent liabilities is disclosed. A contingent asset is not recognised, but information is disclosed if there is a possibility that a significant advantage will accrue to the group.

Events after the balance sheet date

Information about the group's financial position that has occurred after the balance sheet date is disclosed if the information is considered to be significant for the group's current financial statements and future position.

Cash flow statement

The Group uses the indirect method for the presentation of the cash flow statement.



Note 2b Changes in accounting policies

Leases

The Group initially applied IFRS 16 Leases from 1 January 2019. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

As a lessee

As a lessee, the Group leases many assets including property, production equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in right-of-use assets. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset and concluded that they are operating leases under IFRS 16.

In addition to IFRS 16, several amendments to IFRS have been implemented for the first time in 2019. The amendments did not have any material impact for the Group. In addition, several amendments to IFRS are issued up to the date of issuance of the consolidated financial statements but are not yet effective. The impact of applying the amendments is not expected to have a material impact on the Company's financial performance and financial position.

Note 2c Significant accounting judgements and estimation uncertainty

The preparation of financial statements requires management to make judgements and estimates that influence amounts recognised in certain accounts for assets, liabilities, income and expenses. The actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous assessment.

Judgements

The following are Nel's accounting policies that involves significant judgement and complexity which have most significant effect on the amounts recognised in the consolidated financial statements:

Leases - Determining the lease term of contracts with renewal and termination options - Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset)

The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e. 6-10 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than three years and, hence is not exercising any renewal options. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to note 16 for information on potential future rental payments relating to periods following exercise date of extension and termination options that are not included in the lease term.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The Group determines its incremental borrowing rate by considering various interest rates (risk free rate and risk premiums) and makes certain adjustments to reflect the terms of the lease, the type of the asset leased and certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

In determining whether revenue from a specific contract can be classified as customised and in turn recognised using an over time/progress-based measurement several criteria has to be evaluated. The first criterion is related to alternate use. Manufacturing a customised product or piece of equipment for a specific customer that would require significant cost to modify to be able to transfer it to another customer, then the contract would likely meet the criteria of alternate use. Another important criterion is if an enforceable right to payment exists in the contract between the group and the customer. Right to payment entails that the group has a right to receive payment from the customer if the contract would be cancelled. Upon termination at a certain time, the group should be able to recover costs incurred and also a reasonable margin. Other factors to evaluate in the contract include payment terms, payment schedules, contractual terms and legislation or legal precedence. If the appropriate criteria are fulfilled, contract revenues will be recognised using an over time measurement.

Determining whether revenue from a contract should be recognised over time or at point in time could have a significant effect on the financial statements and are to some extent dependent upon judgements from management.

ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Deferred tax asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The group has NOK 209 million of tax amounts from tax losses carried forward (NOK 197 million in 2018). These losses relate to subsidiaries that have a history of losses, do not expire, and to some extent may not be used to offset taxable income elsewhere in the group. On this basis, the group has determined that it cannot recognise deferred tax assets from the tax losses carried forward. Deferred tax assets not recognised in the statement of financial statement amount to NOK 209 million in 2019 (185 in 2018).

Further details on taxes are disclosed in Note 9.

Impairment of goodwill and intangible assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a DCF model. The cash flows are derived from the budget and strategy forecasts for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 11.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate evaluation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date. The group has considered only hold equity instruments.

Matching share program: Each share subscribed for in the matching share program is freely transferrable but shall entitle the employee to subscribe for two further matching shares (i.e. gratuitously), one after 12 months and one after 24 months, provided that (i) the original share is still held by the employee and (ii) the employee has not terminated his/her employment, at the relevant time. The matching share program was replaced in 2018 by a general share option program, comprising all employees in the Nel Group.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

Development costs

The group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Note 3 Business segments

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

Nel Hydrogen Fueling

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, U.S., 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 Hydrogen Fueling division, has global footprint, with delivery of more than 50 H2Station® solutions worldwide to 9 countries since 2003.

Nel's H2Station® manufacturing plant is located 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. "

Nel Hydrogen Electrolyser

The Nel Hydrogen Electrolyser division is a global supplier of hydrogen production equipment and plants based on both alkaline and PEM water electrolyser technology. The business segment dates back to 1927, when Norsk Hydro developed large-scale electrolyser plants, providing hydrogen for use in ammonia production with fertilizer as the end-product. Since then, the electrolyser technology has been improved continuously, and Nel Hydrogen Electrolyser has accumulated unique experience and knowledge about hydrogen fueling stations and power-to-gas systems.

Nel's Hydrogen Electrolyser division is responsible for delivery of complete hydrogen plants. Nel has a global reach through own sales representatives and an extensive agent network. Since 1927 Nel Hydrogen Electrolyser has delivered more than 800 alkaline and 2,700 PEM electrolysers, delivered to more than 80 countries worldwide.

Nel Hydrogen Electrolyser currently has production facilities in Notodden, Norway, and in Wallingford, Connecticut, USA. In August 2019, Nel announced that the Company had secured a new location in Herøya Industrial Park for the planned expansion of manufacturing capacity of alkaline electrolysers. Nel plans to expand manufacturing capacity from around 40 MW/year to 360 MW/year for the first production line, and the location has capacity to expand well beyond 1 GW/year."

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 similar to transactions with third parties.

(Amounts in NOK thousands)

2019	BUSINESS SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING	ELECTROLYSER	OTHER/ ELIMINATION[1]	TOTAL
Norway	1 868	7 337	-34	9 171
United States	93 273	154 605	-	247 877
North America (ex United States)	-	13 110	-	13 110
Asia	61 700	39 053	-	100 753
Europe ex Norway	82 729	68 725	-	151 455
Middle East	-	9 341	-	9 341
Africa	-	24 546	-	24 546
South America	-	7 242	-	7 242
Oceania	2 821	3 391	-	6 212
Total revenue and operating income	242 390	327 350	-34	569 707
Operating expenses	326 190	375 023	46 590	747 802
EBITDA	-83 799	-47 672	-46 624	-178 095
Depreciation	22 573	17 178	35 748	75 500
Operating loss	-106 372	-64 851	-82 372	-253 595
Finance income	1 995	57	10 591	12 643
Finance costs	-4 728	-15 818	14 045	-6 501
Share of loss from associates and joint ventures	-29 148	-	-638	-29 786
Tax expense (income)	-	-	-7 529	-7 529
Profit (loss) after tax	-138 253	-80 612	-50 845	-269 710
Total assets	472 980	582 685	1 375 008	2 430 673
Total liabilities	482 160	621 997	-520 102	584 055

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

In 2019, there are no single customers with revenues above 10 % of total revenues for the group.

REVENUES FROM SINGLE CUSTOMERS ABOVE 10% OF TOTAL REVENUES	2018
Equilon Enterprices LLC (Shell)	108 825
Nikola Corporation	56 114
Total	164 939

(Amounts in NOK thousands)

2018	BUSINESS SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING	ELECTROLYSER	OTHER/ ELIMINATION[1)]	TOTAL
Norway	-	9 938	-	9 938
United States	125 396	197 974	-	323 370
North America (ex United States)	-	3 924	-	3 924
Asia	-	30 391	-	30 391
Europe ex Norway	65 347	28 637	-200	93 784
Middle East	-	6 944	-	6 944
Africa	-	10 692	-	10 692
South America	-	4 558	-	4 558
Oceania	-	5 447	-	5 447
Total revenue and operating income	190 743	298 506	-200	489 049
Operating expenses	269 906	328 510	22 223	620 640
EBITDA	-79 164	-30 005	-22 423	-131 591
Depreciation	16 772	5 004	42 693	64 470
Operating loss	-95 936	-35 008	-65 117	-196 061
Finance income	926	1 297	2 595	4 818
Finance costs	-3 810	-291	-2 160	-6 260
Tax expense (income)	849	-876	8 703	8 676
Loss after tax	-97 971	-34 878	-55 979	-188 827
Total assets	495 656	217 015	1 231 730	1 944 401
Total liabilities	344 954	209 804	-189 335	365 423

[1)] *Other and eliminations comprises excess values on intangible assets and related depreciation and tax expense (income) derived from the consolidatation of the financial statements not allocated to the business segments. In addition, it comprises elimination of intercompany transactions and balances.*

	PROPERTY, PLANT AND EQUIPMENT	
GEOGRAPHICAL AREA	2019	2018
Norway	113 167	28 502
Denmark	93 589	91 213
USA	47 332	15 575
South Korea	2 082	93
Total	256 170	135 383

The allocation of property, plant and equipment is based on the geographical location of the assets.

Note 4 Revenue from contracts with customers

Disaggregated revenue information	For the year ended 31 December 2019		
SEGMENTS	FUELING	ELECTROLYSER	TOTAL
Type of goods or service			
Product and equipment sales	179 997	236 799	416 796
Service and aftermarket	42 013	60 242	102 255
Total revenue from contracts with customers	222 009	297 041	519 051
Timing of revenue recognition			
Revenue recognised at point in time	43 789	242 183	285 972
Revenue recognised over time	178 220	54 858	233 078
Total revenue from contracts with customers	222 009	297 041	519 051

	For the year ended 31 December 2018		
SEGMENTS	FUELING	ELECTROLYSER	TOTAL
Type of goods or service			
Product and equipment sales	166 858	237 111	403 968
Service and aftermarket	8 697	40 522	49 219
Total revenue from contracts with customers	175 555	277 633	453 187
Timing of revenue recognition			
Revenue recognised at point in time	22 266	236 232	258 498
Revenue recognised over time	153 289	41 401	194 690
Total revenue from contracts with customers	175 555	277 633	453 187

CONTRACT BALANCES

CONTRACT ASSETS	2019	2018
Costs incurred and estimated earnings on contracts in progress	191 798	89 588
Less - billings to date	154 695	81 376
Costs and estimated earnings in excess of billings, net	37 103	8 212
Total contract assets	37 103	8 212

Nel has contract asset of 37.1 (2018: 8.2) million which is net of allowance for expected credit loss

CONTRACT LIABILITIES	2019	2018
Costs incurred and estimated earnings on contracts in progress	188 770	215 467
Less - billings to date	233 657	231 830
Billings in excess of costs and estimated earnings, net	-44 887	-16 363
Deferred revenue and customer deposits	-102 594	-52 277
Total contract liabilities	-147 481	-68 640

Revenue recognised in the current period that was included in the opening contract liability balance was NOK 64.8 million and NOK 55.9 million in 2019 and 2018, respectively.

PERFORMANCE OBLIGATIONS

Information about the group's performance obligations can be summarized as follows.

Product and equipment sales

The performance obligation for standard products is satisfied when ownership of products are transferred to the customer which is generally at the time of shipment. If customer acceptance of products is not assured, revenue is recorded only upon formal customer acceptance.

Product and equipment contracts could be recognised at point in time or over time. This depends upon the nature of the product, in particular, if it is considered to be a standard or customised product (see note 2a).

The group periodically enters into contract arrangements with customers that involve multiple elements. We assess such contracts to evaluate whether there are multiple performance obligations, and whether the transaction price under the arrangement is being appropriately allocated to each of the performance obligations. A typical contract with multiple elements could include the following performance obligations:
- equipment (standard product or customized),
- siting, installation and commissioning of the equipment,
- service contract for a specific period
- warranty for a specific period

The transaction price is generally seperately identifed in the contact over the specific performance obligations. Some contracts will be long-term deliveries where the group will recognise revenue and cost over the period of the contract.

In general, customer payments are due 30 to 60 days after being invoiced. Significant equipment contracts with a customer will have milestone payments with variable structures. The contract price will be invoiced when certain criterion are met. A typical milestone structure could be contract acceptance, placement of major supplier purchases, delivery/shipment and complete installation/commissioning.

In certain circumstances based on the order value, credit worthiness of geographic location, the group may require payment in advance of shipment.

The group does not have variable consideration. The group does not accept returns of product or provide customers refunds or other similar concessions.

Note 5 Deferred income

	2019	2018
Government grants	59 015	48 941
Total deferred income	59 015	48 941

GOVERNMENT GRANTS

Government grants as of 31.12.2017	36 064
Grants received	48 739
Income recognised within 'other operating income' in 2018 (note 7)	-35 861
Government grants as of 31.12.2018	48 941
Grants received	52 215
Income recognised within 'other operating income' in 2019 (note 7)	-42 142
Government grants as of 31.12.2019	59 015

	2015	2016	2017	2018	2019	SUM
Government grants as of 31.12.2019	4 937	5 516	9 936	11 776	26 851	59 015
Government grants as of 31.12.2018	8 897	7 286	12 405	20 353		48 941

The aging schedule shows the remaining governments grants divided in the year the grants was initially received.

The group is not aware of any unfulfilled conditions associated with these grants.

Note 6 Personnel expenses

(Amounts in NOK thousands)

PERSONNEL EXPENSES	2019	2018
Salaries	188 491	143 542
Social security tax	25 000	12 243
Pension expense	11 896	7 831
Other payroll expenses [1]	17 808	19 110
Total	243 194	182 726

[1] *Included here are expenses amounting to NOK 10 269 thousands (11 682 in 2018) related to the company's stock option- and stock purchase incentive programs.*

Average number of full time employees	273	221
Hereof women	60	35

PENSION

The parent company and the Norwegian subsidiaries have pension plans that meet the requirements of the Pension Act of Norway. The Danish and the US subsidiary have pension plans that meet their respective requirements.

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT 2019	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION[1]	TOTAL REMUNERATION
Jon André Løkke, CEO [2]	2 720	788	171	549	4 226
Bent Skisaker, CFO	2 124	150	171	549	2 993
Anders Søreng, CTO	2 292	0	77	1 939	4 309
David T. Bow, SVP Sales and Marketing	1 944	0	41	3 413	5 397
Bjørn Simonsen, VP Investor Relations and Corporate Communication	1 404	0	171	549	2 124
Raluca Leordeanu, VP Business Development	1 203	0	171	0	1 374
Jørn Rosenlund, SVP Nel Hydrogen Fueling	1 806	0	145	1 306	3 256
Hans Hide, SVP Projects [3]	1 308	0	171	300	1 779
Stein Ove Erdal, VP Legal and General Counsel [4]	830	0	171	0	1 001
Total	15 630	938	1 287	8 604	26 459

[1] *Other remuneration is mainly related to exercised matching shares and share option program*
[2] *Jon André Løkke has a six months notice period, plus is entitled to six months severence pay*
[3] *Employed in Nel from March 2019*
[4] *Employed in Nel from May 2019*

BOARD OF DIRECTORS 2019	REMUNERATION
Ole Enger - Chair of the Board	438
Hanne Skaarberg Holen	338
Beatriz Malo de Molina	281
Mogens Filtenborg	281
Finn Jebsen	281
Hanne Blume	281
Total	1 900

The remuneration is on a pro-rata basis for 2019

AUDIT COMMITTEE 2019	REMUNERATION
Hanne Skaarberg Holen - chair of the audit committee	75
Beatriz Malo de Molina	40
Total	115

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT 2018	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION[1)]	TOTAL REMUNERATION
Jon André Løkke, CEO [2)]	2 647	1 000	169	945	4 761
Bent Skisaker, CFO	2 072	200	169	945	3 386
David T. Bow, SVP Sales and Marketing	1 834	78	37	891	2 839
Bjørn Simonsen, VP Investor Relations and Corporate Communication	1 252	0	169	945	2 366
Raluca Leordeanu, VP Business Development [3)]	529	0	64	0	593
Anders Søreng, CTO and SVP Nel Hydrogen Electrolyser	2 158	0	61	1 607	3 826
Jørn Rosenlund, SVP Nel Hydrogen Fueling	1 761	0	141	1 057	2 960
Jacob Krogsgaard, SVP Nel Hydrogen Solutions	2 193	0	179	311	2 682
Total	14 446	1 278	989	6 702	23 414

[1)] Other remuneration is mainly related to exercised matching shares
[2)] Jon André Løkke has a six months notice period, plus is entitled to six months severence pay
[3)] Employed in Nel from August 2018

BOARD OF DIRECTORS 2018	REMUNERATION
Hanne Skaarberg Holen - Chair of the Board	400
Ole Enger	250
Beatriz Malo de Molina	250
Mogens Filtenborg	250
Finn Jebsen	250
Total	1 400

The remuneration is on a pro-rata basis for 2018

AUDIT COMMITTEE 2018	REMUNERATION
Hanne Skaarberg Holen - chair of the audit committee	50
Beatriz Malo de Molina	25
Total	75

SHARE OPTION PROGRAM AND MATCHING SHARES

To incentivize and retain key employees, Nel currently have a share-based incentive plans, a share option program. The share option program is groupwide and includes all employees in the group. All options have only service-time based vesting conditions. Vesting requires the option holder still to be an employee in the Company. The share-based payment is equity-settled. Each option, when exercised, will give the right to acquire one share in the Company. The options are granted without consideration.

OPTIONS GRANTED JULY 2018:

A total of 11.8 million share options were granted. Pursuant to the vesting schedule, 40% of the options will vest one year after the day of grant, and 60% of the options will vest two years after the day of grant. The exercise price is equal NOK 3.05 per share (set equal to the average market price 5 days before grant), increasing 3% per annum until expiry. Gain per instrument is capped at NOK 5.00 maximum per share option. The options that have not been exercised will lapse 4 years after the date of grant.

OPTIONS GRANTED JULY 2019:

A total of 11.1 million share options were granted. Pursuant to the vesting schedule, 40% of the options will vest one year after the day of grant, and 60% of the options will vest two years after the day of grant. The exercise price is equal NOK 7.8 per share based on the average price of the Nel ASA share price the five trading days before grant date (NOK 7.22) and including an 8% premium. Gain per instrument is capped at NOK 5.00 maximum per share option. The options that have not been exercised will lapse 4 years after the date of grant.

Volatility: 58.76%
Interest rate 1.274%
Dividend: 0.00

ASSUMPTIONS, COSTS AND SOCIAL SECURITY PROVISIONS

The Company uses the Black-Scholes-Merton option pricing model at time of grant to determine the impact of stock option grants in accordance with IFRS 2 - Share-based payment. The model utilises the following parameters as input:

- the company's share price
- the strike price of the options
- the expected lifetime of the options
- the risk-free interest rate equaling the expected lifetime
- the volatility associated with the historical price development of the underlying share

As all employee options granted are "non-transferable", and the gains are taxed with personal income tax (higher), whereas gains on ordinary shares are taxed with capital gains tax (lower), it is reasonable to assume that participants tend to exercise early. Hence estimated lifetime of the options is expected to be shorter than the time from grant until expiry. However, exercise patterns are monitored frequently and expected option lifetime for future grants will reflect exercise behavior.

To estimate the volatility in the option pricing model comparable companies have been used. Nel does have sufficient traded history, however – the company has been through a rapid development recent years and the assumption made at grant was that traded history the previous years was not the best estimate for the future years. Hence, volatility input to the Black-Scholes-Merton model is based on a group of peer companies.

Further the total fair value of the share-based instruments is amortised over the vesting period of the instrument. IFRS 2 presumes that the fair value of the services expected to be received is the same as the fair value of the equity instruments granted at grant date. Therefore, although the services are recognised over the vesting period, they are measured only once, at grant date, unless the arrangement is modified.

Social security tax provisions are accrued on a quarterly basis and becomes payable at exercise of the options. The social security tax provisions are estimated based on the gain on the share-based instruments multiplied with the relevant social security tax rate.

The total expense recognised for the share-based programs during 2019 was NOK 10.3 million. The total social security accruals during the year was NOK 5.98 million (social security costs on exercised options has been paid in connection with the relevant exercises, hence taken out of the accruals accounts). The total intrinsic value of the company's share-based instruments is NOK 80.6 million at 31 December 2019.

	OPENING BALANCE	FORFEIT	RELEASE	CLOSING BALANCE
Number of matching shares	2 692	-89	-2 603	0
Total	2 692	-89	-2 603	0

There are no outstanding matching shares as of 31 December 2019. NOK 1.7 million is recognised in profit or loss during 2019 with regards to the matching shares forfeit and release.

Share based instruments granted to Nel group management

(amounts in NOK thousands and number of options/shares in thousands)

SHARE OPTION PROGRAM	OPENING BALANCE	GRANTED	EXERCISED	FORFEITED	CLOSING BALANCE	STRIKE PRICE	VALUE [4]	REMAINING CONTRACTUAL LIFE
Jon André Løkke [3]	6 000	0	0	0	6 000	3.00	5.65	0.01
July 2018 tranche A [2]	4 582	0	-3 375	-149	1 058	3.14	5.00	2.50
July 2018 tranche B [2]	6 873	0	0	-981	5 892	3.24	5.00	2.50
July 2019 [2]	0	11 086	0	-454	10 632	7.80	0.85	3.51
Total	17 455	11 086	-3 375	-1 584	23 582			

	VESTED [2]						EXPIRY [2]	
NAME	2018	2019	2020	2021	2022	TOTAL	2022	2023
Jon André Løkke [3]	6 000	0	0	0	0	6 000		
Anders Søreng	0	0	240	123	185	548	240	308
Bent Skisaker	0	160	240	120	180	700	400	300
David Bow	0	160	240	123	185	708	400	308
Bjørn Simonsen	0	160	240	116	174	690	400	290
Raluca Leordeanu	0	160	240	129	193	722	400	322
Jørn Rosenlund	0	0	240	126	188	554	240	314
Hans Hide	0	0	0	120	180	300	0	300
Stein Ove Erdal	0	0	0	120	180	300	0	300
Other employees	0	418	4 452	3 276	4 914	13 060	4 870	8 190
Total as of 31.12.2019	6 000	1 058	5 892	4 253	6 379	23 582	6 950	10 632

[1] cost of period does not include social security
[2] All share options are granted, vested and expired at the beginning of July in a given fiscal year
[3] Different structure on Jon André Løkke's options - no expiry date or price-cap
[4] The value of the share options equals share price less strike price, capped at NOK 5.0

No share options expired during the period. The first expiry date is 1. july 2022 for the options granted July 2018. The weighted-average share price at the date of exercise in 2019 was 7.2.

INPUT PARAMETERS FOR BLACK-SCHOLES OPTION PRICING MODEL FOR JON ANDRÉ LØKKE SHARE OPTIONS :	
Number of options granted:	6 000 000
Share price (spot):	NOK 2.44
Strike price:	NOK 3.00
First exercise:	4 April 2018
Expiry:	No expiry (In calculating the fair value of the options using the Black-Scholes model, it is assumed exercise of the options within two years after first exercise date). The right to exercise the stock options is subject to that the employment agreement have not been terminated at the time of exercise.
Expected volatility:	60% (weighted average of peer group)
Assets drift (risk free interest rate):	0.78%
Expected dividends:	not applicable

Note 7 Other operating income

OTHER OPERATING INCOME	2019	2018
Government grants	42 142	35 861
Sub-lease	1 965	0
Other income	6 550	0
Other operating income	50 657	35 861

Government grants within 'other operating income'

SEGMENT	COUNTRY	2019	2018
Electrolyser	United States	25 386	20 673
Electrolyser	Norway	0	0
Fueling	Denmark	16 756	15 189
TOTAL		42 142	35 861
Government grants related to assets, amortised		15 749	8 793
Government grants related to income		26 392	27 068
TOTAL		42 142	35 861

Note 8 Other operating expenses

SPECIFICATION OF OTHER OPERATING EXPENSES:	2019	2018
Electricity	9 350	6 683
Administrative and other expenses	85 813	64 748
Professional fees	31 282	37 325
Travel expenses	19 829	18 566
IT and communication expenses	12 265	10 625
Laboratory expenses	3 696	1 422
Total other operating expenses	162 234	139 369

FEES TO THE AUDITOR	2019	2018
Statutory auditing services	1 932	2 508
Attestation services	632	171
Non-auditing services	907	1 217
Total	3 471	3 896

Amounts are exclusive VAT

The group incurred NOK 0.9 (0.8) million in 2019 of auditing services provided by company other than EY, the group auditor.

Note 9 Income taxes

(Amounts in NOK thousands)

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2019	2018
Profit / loss before tax	-277 238	-197 503
Permanent differences	-15 762	142
Change in temporary differences	6 923	0
Use of tax losses carried forward	0	0
The year's taxable income	-286 077	-197 361
Reconciliation of tax expense to Norwegian nominal statutory tax rate		
Nominal tax rate	*22 %*	*23 %*
Loss before tax	-277 238	-197 503
Tax this years loss estimated	-60 992	-45 426
Tax effect of:		
Tax rates different from Norway	690	337
Permanent differences	3 189	-495
Change in tax rates recognised in temporary differences	0	4 939
Change in deferred tax	390	-3 166
Change in not recognised deferred tax assets (tax liabilities)	52 466	30 855
Other differences	-4 662	697
Currency translation differences	1 391	3 581
Income tax expense	-7 529	-8 676
Income tax expense comprises		
Income tax payable	0	581
Change in deferred tax	-7 529	-9 257
Total income tax expense (income)	-7 529	-8 676
Tax effects of temporary differences		
Trade receivables and customers contracts	4 170	-388
Intangible assets	76 674	88 725
Property, plant and equipment	-1 278	892
Inventories	5 485	6 921
Accrued warranty	-4 568	-3 098
Leases	-1 506	0
Deferred income	-3 227	-6 047
Other accruals	-12 040	-5 696
Tax losses carry forward	-209 412	-196 547
Deferred tax asset	-145 701	-115 239
Reconcilitiation to statement of financial position		
Deferred tax asset	-145 701	-115 239
Deferred tax asset not recognised in statement of financial position	-209 044	-184 720
Deferred tax liability in the statement of financial position	63 343	69 481
Changes in recognised deferred tax liability		
As of 01.01	69 481	68 273
Recognised in the income statement	-7 529	-9 257
Translation differences on deferred taxes	1 391	3 581
Effect of change in tax rates	0	4 939
Other	0	1 945
As of 31.12	63 343	69 481

The majority of the deferred tax asset is related to tax losses carry forward. As of 31 December 2019 it is considered not to be likely that the deferred tax asset can be utilised in near future, therefore no deferred tax asset has been capitalised.

Note 10 Long-term debt

(Amounts in NOK thousands)

LONG-TERM DEBT - LENDER	LEGAL ENTITY	MATURITY	INTEREST RATE	2019	2018
1) Innovasjon Norge	Nel Hydrogen Electrolyser AS	December 2020	5.75 %	417	833
2) Nykredit - Industriparken 34	Nel Hydrogen A/S	2038	0.26 %	4 845	5 100
3) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0.36 %	17 734	18 781
4) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0.27 %	5 971	6 320
5) Nykredit - Vejlevej 3	Nel Hydrogen A/S	2028	0.30 %	1 610	1 826
Total long-term debt				30 577	32 859

	2019	2018
Current portion	2 164	833
Non-current portion	28 413	32 026
Total long-term debt	30 577	32 859

Maturity analysis for long-term debt (undiscounted cash flows)

	2020	2021	2022	2023	2024<	TOTAL
1) Innovasjon Norge	417	0	0	0	0	417
2-5) Nykredit	1 747	1 753	1 760	1 772	23 127	30 160
Lease liabilities (note 16)	13 146	12 185	15 603	19 015	103 610	163 559
Estimated interest cost 1)	596	520	473	433	3 236	5 257
Total long-term debt including interest	15 906	14 458	17 836	21 221	129 973	199 393

1) *Based on prevailing debt installment agreements and interest rates.*

CARRYING AMOUNT OF ASSETS THAT ARE PLEDGED	2019	2018
Trade receivables	12 977	7 410
Other equipment	11 033	9 083
Inventories	15 000	9 342
Building	30 160	49 680
Total	69 170	75 515

GUARANTEES	2019	2018
Bank guarantees	18 990	280

The bank guarantee applies to advance payments from customers.

CASH CREDIT FACILITIES	2019	2018
Cash credit limits:	2 640	2 664

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES	LONG-TERM DEBT
As of 31.12.2017	6 538
Cash flows	26 576
Non-cash changes:	
Foreign currency effects	-255
As of 31.12.2018	32 859
Cash flows	-3 313
Non-cash changes:	
Foreign currency effects	1 031
As of 31.12.2019	30 577

For lease liability see note 16, where 'lease payments' are cash flows and other changes during the year are non-cash changes.

Note 11 Intangible assets

As an indication of the level of internal R&D expenses, Nel currently has 19 and 33 full time employees working directly with R&D in the electrolyser and fueling division, respectively. Of the 19 full time employees working with electrolysers, 14 engineers are dedicated to R&D in Proton OnSite in Wallingford, U.S. and 5 are dedicated to the R&D at Nel Hydrogen Electrolyser AS in Notodden, Norway

ELECTROLYSER

The Electrolyser division have recognised Technology from internal development of NOK 126.1 million as of 31.12.2019.

Nel invests in development of larger Electrolyser products. Work is in progress to develop a pressurized alkaline Electrolyser targeting 1000Nm3/h single cell stack to support emerging markets. In addition, also development of the current atmospheric alkaline technology into larger capacity solutions are on-going. Finally, in order to meet new large-scale opportunities within the PEM portfolio, Nel is developing a larger single cell-stack PEM platform. All these three development activities are targeting to reduce total cost of ownership for the end-customers by utilizing CAPEX more efficiently.

FUELING

The Fueling division have recognised Technology from internal development of NOK 82.9 million as of 31.12.2019.

Nel continues to see the market of Heavy Duty transportation move fast towards Hydrogen. Therefore in the fueling division there will be a significant investment in HDV equipment like high capacity station modules and dispensers. This is to serve customers who have a need for large capacity dispensing capability (>60kg dispensed in 15 min). There will be ongoing investments in factory /laboratory also to be able to accommodate HDV fueling equipment.

Other intangible assets recognised are technology and customer relationship acquired through business combinations, amounting NOK 242.8 million and NOK 57.2 million, respectively.

The aggregate amount of research and development expenditure regonised as an expense in 2019 is 22.6 (10.8) million.

	TECHNOLOGY	CUSTOMER RELATIONSHIP	CUSTOMER CONTRACT	GOODWILL	TOTAL
Acquisition cost as of 01.01.2018	402 340	93 801	28 586	592 202	1 116 929
Additions	45 970	0	0	0	45 970
Disposals	-641	0	0	0	-641
Reclassification of grants	15 271	0	0	0	15 271
Currency effects	15 310	2 621	-325	17 102	34 708
Acquisition cost as of 31.12.2018	478 250	96 422	28 261	609 304	1 212 238
Additions	68 949	0	0	0	68 949
Disposals	-235	0	0	0	-235
Currency effects	-622	513	0	317	208
Acquisition cost as of 31.12.2019	546 343	96 935	28 261	609 621	1 281 160
Accumulated depreciation and impairment as of 01.01.2018	24 663	15 472	19 011	467	59 613
Amortisation	32 011	11 799	9 250	0	53 060
Reclassification	-641	0	0	0	-641
Currency effects	178	0	0	0	178
Accumulated amortisation and impairment as of 31.12.2018	56 210	27 271	28 261	467	112 209
Amortisation	38 810	12 480	0	0	51 289
Reversed amortisation disposals	-235	0	0	0	-235
Currency effects	-177	0	0	0	-177
Accumulated amortisation and impairment as of 31.12.2019	94 607	39 750	28 261	467	163 086
Carrying amount as of 31.12.2018	422 040	69 151	0	608 837	1 100 029
Carrying amount as of 31.12.2019	451 736	57 185	0	609 154	1 118 075

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES - IMPAIRMENT CONSIDERATIONS

The group performed its annual impairment test in December 2019. The group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

As of 31 December 2019, the market capitalization of the group was approximately 6 times above the book value of equity, indicating no impairment of goodwill and impairment of the assets. In 2018 the market capitalization was 4 times above the book value of equity.

The annual impairment test is performed for all the Group' Cash Generating Units (CGUs). A CGU is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. The manner in which management monitors operations assisted in the judgements of identifiying the CGUs. The Group' CGUs are CGU Electrolyser Norway, CGU Electrolyser US and CGU Fueling. For each CGU, a recoverable amount has been measured. The recoverable amount is based on a discounted cash flow model determined Value In Use (VIU), which are based on the future expectations reflected in the current budget and strategy over the next 5 year period. The impairment test has been based on the business plan for the next year approved by the Board and managements best estimate of cash flows for the following four years. A terminal value beyond the 5 year forecast period has been included in the calculated VIU.

The calculations of value-in-use for CGU Electrolyser US, CGU Electrolyser Norway and CGU Fueling are most sensitive to the following assumptions:

- Revenue forecasts and EBITDA margins

- Discount rate / Weighted average cost of capital (WACC)

Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC considers the cost of debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest bearing borrowings the group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future cash flows in order to reflect a pre-tax nominal discount rate. Pre-tax nominal discount rate is in the range of 9.5 % to 10.6 %.

Goodwill, and CGUs where goodwill has been allocated, are required to be tested for impairment annually. Impairment losses are recognised where the recoverable amount is less than the carrying amount. There were no impairment losses recognised in 2019, or in 2018.

SPECIFICATION OF ALLOCATED GOODWILL PER CGU	2019	2018
Electrolyser US	270 978	268 144
Electrolyser Norway	61 364	61 364
Fueling	276 813	279 329
Total	609 154	608 837

Annual mandatory impairment tests

CGU ELECTROLYSER US

Electrolyser US is the Group' segment for the PEM electrolyser technology. The CGU covers the production and manufacturing of PEM electrolyser equipment in Wallingford, Connecticut, US. The operations consist of both assembly of electrolyser, marketing activities and product development.

The CGU comprises allocated goodwill of NOK 271 million, other intangible assets of NOK 298.8 million and other invested capital of NOK 135.4, amounting to a carrying value for this CGU of NOK 705.2 million. The growth in the terminal values for CGU Electrolyser US is 2%, in accordance with the long-term inflation target set by the Federal Reserve. An estimated pre-tax nominal discount rate of 10.1% has been used in the impairment calculation for the CGU Electrolyser US.

Recoverable amount determined as a VIU caluculation amounts to about NOK 889 million. The value exceeds the carrying value of NOK 693 million.

A sensitivity analysis has been carried out, which indicates a strong sensitivity to changes in WACC and EBITDA. The presented ranges in the sensitivity matrix yield impairment at relatively small changes to WACC and EBITDA margin. The range is +/-2% in WACC and +/-4% in EBITDA margin.

Sensitivity in headroom *(amounts in NOK million)*		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	162	472	780	1 088	1 396
	-1.0%	-54	196	443	691	939
	0.0%	-212	-7	**196***	399	603
	1.0%	-304	-126	50	227	404
	2.0%	-383	-228	-74	80	234

** Represents headroom in impairment calculation for the CGU.*
Negative numbers in the table indicate impairment

CGU ELECTROLYSER NORWAY

Electrolyser Norway is the Group' segment for the Alkaline electrolyser technology. The CGU covers the production and manufacturing of both Atmospheric alkaline and pressurised alkaline electrolyser equipment in Notodden, Norway. New plant at Herøya, Norway during 2021 will scale the production. The operations consist of both assembly of electrolyser, marketing activities and product development.

Allocated goodwill is NOK 61.3 million, other intangible assets is NOK 113.3 million and other invested capital is NOK 119.5 amounting to a carrying value for this CGU of NOK 294.1 million. The growth in the terminal values for CGU Electrolyser Norway is 2%, in accordance with the long-term inflation target set by the Norwegian Central Bank. An estimated pre-tax nominal discount rate of 10.6% has been used in the impairment calculation for the CGU Electrolyser Norway.

Recoverable amount determined as a VIU caluculation amounts to about NOK 3 030 million. The value exceeds the carrying value of NOK 291 million.

A sensitivity analysis has been carried out, which indicates a strong sensitivity to changes in WACC and EBITDA margin, however none of the scenarios indicate impairment. The range is +/-2% in WACC and +/-4% in EBITDA margin. The measured VIU exceeds the carrying amount in every sensitivity scenarios.

Sensitivity in headroom *(amounts in NOK million)*		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	2 941	3 921	4 901	5 880	6 858
	-1.0%	2 106	2 878	3 650	4 420	5 190
	0.0%	1 500	2 119	**2 739***	3 357	3 974
	1.0%	1 147	1 676	2 205	2 733	3 261
	2.0%	849	1 302	1 755	2 207	2 658

** Represents headroom in impairment calculation for the CGU.*

CGU FUELING

Fueling is the Group' segment for the Hydrogen fueling technology. The CGU covers the production and manufacturing of hydrogen refueling stations Herning, Denmark. The operations consist of both assembly of hydrogen refueling stations, marketing activities and product development. 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.

Allocated goodwill is NOK 276.8 million, other intangible assets is NOK 97.3 million and other invested capital is NOK 104.4 amounting to a carrying value for this CGU of NOK 478.5 million. The growth in the terminal value for CGU Fueling is 2%, in accordance with the long-term inflation target set by the Danish Central Bank. An estimated pre-tax nominal discount rate of 9.5% has been used in the impairment calculation for the CGU Fueling.

Recoverable amount determined as a VIU caluculation amounts to about NOK 786 million. The value exceeds the carrying value of NOK 516 million.

A sensitivity analysis has been carried out, which indicates moderate to high sensitivity to changes in WACC and EBITDA margin. The presented ranges in the sensitivity matrix yield impairment at relatively small changes to WACC and EBITDA margin. The range is +/-2% in WACC and +/-4% in EBITDA margin.

Sensitivity in headroom *(amounts in NOK million)*		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
	-2.0%	226	728	1 229	1 728	2 226
	-1.0%	-101	273	644	1 015	1 384
CHANGES IN WACC	0.0%	-309	-19	**270***	558	845
	1.0%	-423	-180	62	303	542
	2.0%	-513	-307	-102	102	304

** Represents headroom in impairment calculation for the CGU.*
Negative numbers in the table indicate impairment

See note 2c 'Significant accounting judgements and estimation uncertainty' for additional information about impairment testing of goodwill and intangible assets

Note 12 Property, plant and equipment

(Amounts in NOK thousands)

	OFFICE MACHINES AND OTHER EQUIPMENT	PRODUCTION EQUIPMENT	BUILDINGS	TECHNICAL INSTALLATIONS	RIGHT-OF-USE ASSETS (NOTE 16)	TOTAL
Acquisition cost as of 01.01.2018	16 545	16 575	76 991	5 818	0	115 930
Additions	7 699	13 192	27 984	-333	0	48 542
Disposals	-1 738	0	0	0	0	-1 738
Reclassification	0	-6 671	6 671	0	0	0
Currency effects	358	1 152	1 971	-7	0	3 474
Acquisition cost as of 31.12.2018	22 863	24 248	113 618	5 479	0	166 208
Initial application IFRS 16	0	0	0	0	36 034	36 034
Additions	16 331	7 116	27 674	0	55 919	107 039
Disposals	-442	-509	-28	0	0	-979
Reclassification	0	0	0	0	0	0
Remeasurement	0	0	0	0	2 025	2 025
Currency effects	112	89	565	-2	219	982
Acquisition cost as of 31.12.2019	38 864	30 943	141 830	5 476	94 197	311 310
Accumulated depreciation at 01.01.2018	9 837	6 738	1 937	1 218	0	19 730
Depreciation	3 540	3 424	4 423	22	0	11 410
Reversed depreciation	-1 738	0	0	0	0	-1 738
Reclassification	0	0	0	0	0	0
Currency effects	58	550	710	105	0	1 423
Accumulated depreciation as of 31.12.2018	11 697	10 713	7 070	1 345	0	30 825
Depreciation	6 330	4 697	3 325	0	9 856	24 209
Impairment	0	0	0	0	0	0
Reversed depreciation disposals	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Currency effects	73	84	-48	-2	0	106
Accumulated depreciation as of 31.12.2019	18 100	15 494	10 347	1 343	9 856	55 140
Carrying amount as of 31.12.2018	11 167	13 535	106 548	4 133	0	135 383
Carrying amount as of 31.12.2019	20 764	15 449	131 483	4 133	84 341	256 170
Useful life	3-5 years	3-8 years	30-40 years	15-20 years	2-10 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	

Property, plant and equipment is included in 'other invested capital' allocated to the differenct CGU's. See note 11 for impairment considerations for other invested capital.

Note 13 Inventories

	2019	2018
Raw material	152 604	94 196
Work in progress	40 013	36 312
Finished goods	12 968	5 165
Allowance for obscolete inventory	-351	-869
Total inventories	205 234	134 804

Inventories is valued at the lowest of cost and net realisable value less costs to sell. As of 31 December 2019 inventories is measured at cost.

Note 14 Cash and cash equivalents

	2019	2018
Cash and cash equivalents	469 961	347 571
Restricted bank deposits for employees' withheld taxes at 31.12	2 831	1 844
Other restricted bank accounts [1)]	53 189	331
Total cash and cash equivalents	525 982	349 747

[1)] Other restricted bank accounts comprises short-term deposits and short-term guarantee payments which are assessed equivalent to demand deposits and short-term highly liquid investments that are subject to an insignificant risk of changes in value.

Note 15 Share capital and shareholders

As of 31 December 2019 the group's share capital was NOK 244.4 million, consisting of 1 222 102 783 shares each with a nominal value of NOK 0.20.

The parent company has only one share class and no special regulations relating to the shares, thus one share represents one vote.

SHAREHOLDERS AS OF 31.12.2019	COUNTRY	NUMBER OF SHARES	OWNERSHIP
CLEARSTREAM BANKING S.A.	Luxembourg	424 073 595	34.70 %
The Bank of New York Mellon SA/NV	Denmark	42 799 331	3.50 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	Norway	34 153 671	2.79 %
UBS Switzerland AG	Switzerland	24 346 481	1.99 %
Nordnet Bank AB	Sweden	20 637 650	1.69 %
Avanza Bank AB	Sweden	11 563 354	0.95 %
SIX SIS AG	Switzerland	10 766 623	0.88 %
Deutsche Bank Aktiengesellschaft	Germany	9 787 645	0.80 %
NORDNET LIVSFORSIKRING AS	Norway	9 138 942	0.75 %
ELMO HOLDING AS	Norway	7 500 000	0.61 %
Nordea Bank Abp	Denmark	7 183 664	0.59 %
VERDIPAPIRFONDET ALFRED BERG NORGE	Norway	7 073 322	0.58 %
HSBC BANK PLC	United Kingdom	7 032 870	0.58 %
Danske Bank A/S	Denmark	6 468 077	0.53 %
FEDERATED INTERNATIONAL EQUITY FND	United States	6 236 367	0.51 %
State Street Bank and Trust Comp	United States	6 046 723	0.49 %
VERDIPAPIRFONDET DNB NORGE	Norway	5 969 806	0.49 %
J.P. MORGAN BANK LUXEMBOURG S.A.	Luxembourg	5 721 484	0.47 %
EQUINOR PENSJON	Norway	5 089 534	0.42 %
CITIBANK, N.A.	Ireland	4 939 693	0.40 %
Total 20 largest shareholders		656 528 832	53.72 %
Total remaining shareholders		565 573 951	46.28 %
Total number of shares		1 222 102 783	100.00 %

Nel ASA owns 5 195 treasury shares.

SHARES OWNED BY BOARD OF DIRECTORS	ASSIGNMENT	NUMBER OF SHARES	OWNERSHIP
Ole Enger	Chair of the Board	149 462	0.01 %
Hanne Skaarberg Holen [3)]	Board member	268 966	0.02 %
Beatriz Malo de Molina	Board member	0	0.00 %
Mogens Filtenborg [1)]	Board member	1 813 493	0.15 %
Finn Jebsen [2)]	Board member	310 620	0.03 %
Hanne Blume	Board member	0	0.00 %
Total		2 542 541	0.21 %

[1)] *Consisting of shares held through Zuns ApS*
[2)] *Consisting of shares held through Fateburet AS*
[3)] *Resigned from the board 10 January 2020*

SHARES OWNED BY MANAGEMENT	ASSIGNMENT	NUMBER OF SHARES	OWNERSHIP
Jon André Løkke	CEO	1 200 634	0.10 %
Bent Skisaker	CFO	551 899	0.05 %
Anders Søreng [1)]	SVP Nel Hydrogen Electrolyser division	551 899	0.05 %
David T. Bow	SVP Sales and Marketing	286 341	0.02 %
Bjørn Simonsen [2)]	VP Investor Relations and Corporate Communication	1 979 403	0.16 %
Raluca Leordeanu	VP Business Development	0	0.00 %
Jørn Rosenlund	SVP Nel Hydrogen Fueling division	500 000	0.04 %
Hans Hide	SVP Projects	0	0.00 %
Stein Ove Erdal	Vice President Legal and General Counsel	0	0.00 %
Total		5 070 176	0.41 %

[1)] *Consisting of shares held through A.S. Consulting Gjøvik AS*
[2)] *Consisting of shares held through Simonsen Invest AS*

Refer to note 6 - Personnel expenses, for information of options and subscription rights granted to management.

There were no dividends paid out in 2019 or 2018.

Note 16 Leases

LEASES AS LESSEE

The group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

RIGHT-OF-USE ASSETS	PLANT AND MACHINERY	MOTOR VEHICLES	OTHER EQUIPMENT	TOTAL
31. December 2018 (restated)	34 630	935	469	36 034
Additions	54 886	1 033	0	55 919
Remeasurement	2 025	0	0	2 025
Depreciations expense	-9 076	-581	-199	-9 856
31. December 2019	82 465	1 387	270	84 122
Translation difference				219
31. December 2019 (note 12)				84 341

Set out below are the carrying amounts of lease liabilities (included under other long term debt and other current liabilities) and the movements during the period:

LEASE LIABILITIES	2019
1. January	39 748
Additions	55 919
Remeasurement	2 025
Accretion of interest	5 010
Lease payments	-11 966
Effect of changes in currency exchange rate	450
31. December	91 187
CurRent	12 066
Non-current	79 121
31. December	91 187

The maturity analysis of undiscounted cash flow in lease liabilities are disclosed in Note 10

THE FOLLOWING ARE THE AMOUNTS RECOGNISED IN PROFIT OR LOSS:	2019
Depreciation expense of right-of-use assets	-9 856
Interest expense on lease liabilities	3 802
Income from subleasing right-of-use assets	1 965
Expense relating to leases of low-value assets	190
Expense relating to short-term leases, excluding short-term leases of low-value assets	0
Variable lease payments	0
Total amount recognised in profit or loss	-3 899
Total cash outflow for leases	12 184
Weighted incremental borrowing rate used as discount rate for the measuring of lease liabilities	9.6 %

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see note 2c)

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term

	1 YEAR	2 YEAR	3-5 YEAR	MORE THAN 5 YEARS
Extension options expected not to be exercised	0	0	4 346	42 391
Termination options expected to be exercised	0	0	840	50 400
Total	0	0	5 186	92 791

LEASES AS LESSOR

The group have no leases as lessor with the exception of sub-lease. All sub-leases are office space that has been presented as right-of-use assets as part of the property, plant and equipment. When considering the lease term of the sub-lease and the head lease the major part of the economic life of the asset is retained by the Group. All sub-leases are classifised as operating leases and the lease payments received is recognised on a straight-line basis over the lease term as part of 'other operating income'.

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 recognised at initial application	37 412
Changes to initial application	2 336
Lease liabilities recognised at initial application	39 748
Weighted average incremental borrowing rate applied	9,6%
Right of use assets recognised at initial application	37 412
Changes to initial application	-1 378
Right of use assets recognised at initial application	36 034

Note 17 Trade receivables

	2019	2018
Receivables from third-party customers	211 352	110 402
Allowance for expected credit losses	-28 018	-1 743
Balance as of 31.12.	183 333	108 659

Trade receivables are non-interest bearing and are generally on terms 30 to 60 days

Movements in the allowance for impairment in respect of trade receivables

	2019	2018
Balance as of 01.01.	1 743	1 955
Amounts written off	-313	0
Net remeasurement of loss allowance	26 588	-212
Balance as of 31.12.	28 018	1 743

See Note 24 on credit risk of trade receivables, which explains how the group manages and measures expected credit loss of trade receivables that are neither past due nor impaired.

In 2019 the net remeasurement of loss allowance is affected by 25.0 million of trade receivables from Uno-X Hydrogen AS. The 100% loss allowance is based on a prudent approach due to the low limited remaining value in the joint venture. There are ongoing negotiations between the investors regarding the future of the joint venture and its operations.

Note 18 Specification of balance sheet items

	2019	2018
VAT net receivable	7 486	3 545
Prepayments	25 291	31 688
Other current assets	5 109	0
Fair value of derivatives (note 21)	803	0
Total other current assets	38 688	35 233

	2019	2018
Vacation allowance and other salary related accruals	25 323	23 191
Public duties payable	5 387	6 962
Other current liabilities	22 628	2 979
Fair value of derivatives (note 21)	1 623	4 552
Total other current liabilities	54 961	37 684

	2019	2018
Notes payable to shareholder	10 269	10 162
Deferred rent [1]	0	3 836
Other non-current liabilities	1 088	950
Fair value of derivatives (note 21)	232	0
Total other non-current liabilities	11 590	14 949

[1] *Deferred rent is reclassified to right-of-use asset at initial application of IFRS 16 leases. See note 16.*

Note 19 Investments in associated companies and joint ventures

(Amounts in NOK thousands)

					ACQUISITION COST		CARRYING VALUES	
	COUNTRY	SEGMENT	OWNERSHIP		2019	2018	2019	2018
Sagim SAS	France	Electrolyser	37.03 %	Associate	100	100	100	100
Glomfjord Hydrogen AS	Norway	Electrolyser	28.57 %	Associate	200	200	200	200
Danish Hydrogen Fuel A/S [1]	Denmark	Fueling	51.50 %	Associate	16 144	16 144	0	0
Everfuel Europe A/S [2]	Denmark	Fueling	19.90 %	Associate	2 212	155	2 468	0
Total associated companies					18 656	16 599	2 768	300
Uno-X Hydrogen AS	Norway	Fueling	39.00 %	Joint venture	29 487	25 533	0	14 595
Hyon AS	Norway	Fueling	33.33 %	Joint venture	3 050	3 050	0	1 325
Íslenska Vetnisfélagið	Iceland	Fueling	10.00 %	Joint venture	4 285	2 347	0	2 231
Green H2 Norway	Norway	Fueling	25.00 %	Joint venture	1 028	0	1 028	0
Total joint ventures					37 850	30 930	1 028	18 151
Total associated companies and joint ventures					56 505	47 529	3 795	18 451

[1] Shareholders agreement states that no owner can vote for more than 49.99% of the votes, entity considered to be an associate.
[2] Everfuel Europe A/S was a consolidated subsidiary until 31 July 2019. Retained investment 19.90 % is recognisd as an equity-accounted investee. Cost 2018 is the cost of subsidiary and cost of 2019 includes capital increase during Q4 2019.

All investments in associates and joint venture is measured under the equity method. IFRS financial statements of the associate and joint venture are adjusted to reflect differences in accounting policies. No dividends has been received during 2019 or 2018.

The Group have unrecognised share of losses in all associates and joint ventures recognised at NOK 0 at the end of the year. The group is not committed to financing the losses and has not provided any guarantee of equity-accounted investees' obligations.

JOINT VENTURE

Green H2 Norway (25%):
Green H2 Norway is a joint venture in which the Group has joint control and a 25% ownership interest and is one of the Group's strategic investments for the fueling segment. Green H2 Norway will establish hydrogen production facilities in Norway to supply hydrogen to Hyundai trucks which are expected in Norway from 2020. Green H2 Norway is equally owned by the four involved parties, and will in dialogue with other potential partners as well as national authorities initiate the first project in 2020, which will include exploring sector coupling aspects of large-scale electrolysis based hydrogen production. Green H2 Norway is intended to be the exclusive supplier of hydrogen for Hyundai trucks in Norway.

Green H2 Norway is structured as a separate vehicle and Nel has a residual interest in the net assets of Green H2 Norway. Accordingly, Nel has classified its interest in Green H2 Norway as a joint venture. In accordance with the agreement under which Green H2 Norway is established.

Uno-X Hydrogen AS (39%):
Uno-X Hydrogen AS is a joint venture between Uno-X Norge AS (41%), Nel Fuel AS (39%) and Nippon Gases (20%). The joint venture will build a network of hydrogen fueling stations with hydrogen production, allowing fuel cell electric vehicles (FCEVs) to operate in and between all the major cities in Norway. The company operates under the Nel Hydrogen Fueling division.

At June 10, 2019 one of the operating stations, namely at Kjørbo, Norway, had a leak in a hydrogen tank which caused an explosion in the air, damaging all the hydrogen equipment on site. Following the Kjørbo incident the decision is to reduce the investment based on a precautionary approach due to the passage of time and the low limited remaining values in the joint venture. There are ongoing negotiations between the parties regarding the future of the joint venture and its operations. Thus, a loss allowance NOK 22.3 million is recognised in 2019 for the non-current loan, within 'Share of loss from associate and joint venture'.

Hyon AS (33.33%):
Hyon AS primarily targets the opportunities within the maritime and marine segments as well as projects to leverage renewable energy resources. The company was established together with Hexagon Composites ASA and PowerCell Sweden AB, each party owns an equal 33.33% share of the company. The parties aim at leveraging their respective capabilities and technologies to offer integrated solutions.

MOVEMENT IN THE ALLOWANCE FOR EXPECTED CREDIT LOSSES OF LONG-TERM LOAN	2019	2018
As of 01.01.	0	0
Provision for expected credit losses	22 288	0
Write-off	0	0
Foreign exchange movement	0	0
As of 31.12.	22 288	0

ASSOCIATES

Everfuel Europe A/S (19.9%):
Everfuel Europe is a separate vehicle with the purpose of being the initiator and coordinator of the H2Bus Consortium, which Nel is part of. Nel has invested 19.9% in Everfuel Europe A/S. Everfuel will provide a complete offering of hydrogen fuel to heavy duty customers such as city buses. Everfuel has signed a long-term exclusive contract with Nel for delivery of H2 Stations® and electrolysers. Nel has significant influence evidenced by owning close to 20 % of the shares, member of the board of directors and material transactions between Nel and Everfuel Europe A/S.

ASSOCIATED COMPANIES AND JOINT VENTURES	GREEN H2 NORWAY	UNO-X HYDROGEN AS	HYON AS	EVERFUEL EUROPE A/S	OTHER	TOTAL
As of 01.01.2019	0	14 595	1 325	0	2 531	18 451
Added capital in 2019	1 028	5 000	0	2 057	975	9 060
Share of loss from associate/joint venture	0	-25 254	-1 325	0	-3 206	-29 785
Change in ownership	0	0	0	411	0	411
Other	0	5 659	0	0	0	5 659
As of 31.12.2019	1 028	0	0	2 468	300	3 795

Other associated companies and joint ventures comprises Íslenska Vetnisfélagið , Glomfjord Hydrogen AS, Danish Hydrogen Fuel A/S and Sagim SAS.

Note 20 Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

COMPANY	LOCATION	MAIN OPERATIONS	CONSOLIDATED FROM:	OWNERSHIP/ VOTES 2019	OWNERSHIP/ VOTES 2018
Nel Hydrogen Electrolyser AS	Notodden, Norway	Alkaline electro-lysers	01.10.2015	100 %	100 %
Nel Hydrogen A/S	Herning, Denmark	Hydrogen fue-ling stations	01.07.2015	100 %	100 %
Nel Fuel AS	Oslo, Norway	Investment/ ownership	01.07.2015	100 %	100 %
Proton Energy Systems Inc	Wallingford, Connecticut, USA	PEM electro-lysers	01.07.2017	100 %	100 %
Nel Korea Co. Ltd	Seoul, South Korea	Service of H2 stations	01.07.2018	100 %	100 %
Nel Hydrogen Inc	San Leandro, California USA	Service of H2 stations	01.01.2019	100 %	100 %

During 2019 Nel ASA sold 80.1 % of subsidiary Everfuel Europe A/S (a subsidiary of Nel Fuel AS). Nel Fuel AS retained an investment of 19.1 % of the shares. Consideration received from the sale of subsidiary was NOK 1.6 million. See note 26 for gain on sale of subsidiary.

Note 21 Derivatives designated as hedge instruments

The Group is exposed to certain risk relating to its ongoing business operations. In 2019, foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of firm sale commitment in U.S. dollar, Swedish krona, euro and British pound. The hedges are accounted for as cash flow hedges. The foreign exchange forward contract balances vary with the level of firm commitment foreign currency sales and changes in foreign exchange forward rates. The group have no hedges of highly probable forecasts at 31 December 2019.

CASH FLOW HEDGES

At 31 December 2019, the Group held the following instruments to hedge exposures to changes in foreign currency.

(Amounts in NOK thousands)

FORWARD EXCHANGE CONTRACTS	2020-Q1	2020-Q2	MATURITY 2020-Q3	2020-Q4	MORE THAN ONE YEAR	OTHER
Net exposure (notional amount)	36 400	22 349	24 215	-	7 643	90 607
Average NOK:USD forward contract rate	8,63	8,74	8,68	-	-	
Average NOK:SEK forward contract rate	0,96	-	0,93	-	0,94	
Average NOK:GBP forward contract rate	11,51	10,96	-	-	-	

Effect of items designated as hedging instruments

FORWARD EXCHANGE CONTRACTS	SALES
Assets	
Current assets	803
Liabilities	
Non-current liabilities	-232
Other current liabilites	-1 623

Effect of items designated as hedged items

FORWARD EXCHANGE CONTRACTS	SALES
Cash flow hedge reserve	-786

FORWARD EXCHANGE CONTRACTS	2020	2021
Expected to be reclassified to the income statement during the year	-720	-66

The effect of the cash flow hedge in the statement of comprehensive income is, as follows

	Firm commitment sales	Line item affected in the statement of comprehensive income
Changes in the value of hedging instrument recognised in OCI	-2 388	OCI
Amount reclassified from hedging reserve to profit or loss	1 602	Revenue

The hedged item creates an exposure to buy a foreign currency and sell the functional currency. The forward contract is to sell foreign currency and buy the functional currency. As the hedged exposure is exactly matched by the currency leg of the forward contract (i.e. they are the same amount of currency with the same payment date), there is a clear economic relationship between the hedging instrument and the hedged item. No ineffectiveness was recognised in the income statement in 2019.

The Group held no instruments during 2018 to hedge exposures to changes in foreign currency.

Note 22 Non-current financial assets

SPECIFICATION OF NON-CURRENT FINANCIAL ASSETS	2019	2018
Investment in Nikola Motor Company [1)]	43 902	42 131
Investment in Hydrogen Energy Network (HyNet) [2)]	7 849	0
Restricted cash [3)]	9 464	11 307
Prepayments	263	372
Other non-current financial assets	816	73
Total non-current financial assets	62 294	53 882

[1)] *During 2018 Nel invested USD 5.0 million in Nikola Motor Company Inc. As of 31 December 2019, the shares are unquoted and there has not been any transactions of Nel's series C round shares. The shares are recognised at the USD cost price of the shares which is the approximate fair value at year end, revalued to NOK as of 31 December 2019.*

[2)] *During 2019, the Group invested NOK 7.8 million in Hydrogen Energy Network (HyNet). The group has joint control and a 4.98 % ownership interest. HyNet is structured as a Special Purpose Company and is principally engaged in expanding the hydrogen fueling infrastructure in South Korea. The shares are unquoted and there has not been any transactions of an identical or similar instrument. The shares are stated at the cost price of the shares which is the approximate fair value at year end. Fair value information has not been disclosed for the investment in note 23 because the fair value can not be measured reliably.*

[3)] *NOK 9.5 million relates to outstanding irrevocable letters of credit used as assurance for bid and contract performance, these letters of credit mature between 31 December 2019 and 2 March 2024. As of 31 December 2019, the customers had not drawn on the letters of credit.*

Note 23 Financial instruments

	CARRYING AMOUNT				FAIR VALUE			
	FAIR VALUE - HEDGING INSTRU-MENTS	MANDA-TORILY AT FVTPL - OTHERS	FINANCIAL ASSETS AND LIABILTIES AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets								
Financial assets measured at fair value								
Forward exchange contracts used for hedging	803			803		803		803
Financial asset - equity instruments		51 751		51 751			51 751	51 751
SUM	803	51 751	-	52 553	-	803	51 751	52 553
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	1 855			1 855		1 855		1 855
SUM	1 855	-	-	1 855	-	1 855	-	1 855
Financial liabilities not measured at fair value								
Long-term debt			30 577	30 577		30 577		30 577
SUM	-	-	121 764	121 764	-	30 577	91 187	121 764

Nel uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: Inputs are quoted prices in active markets for identical assets or liabilities that are accessable at the measurement date
Level 2: The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques which maximise the use of observable market price and rely as little as possible on entity-specific estimates.
Level 3: Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The management assessed that cash and short-term deposits, trade receivables, other current assets, trade payables and other current liabilities' carrying amounts is a reasonable approximation of their fair value largely due to the short-term maturities of these instruments.

Nel enters into forward exchange contracts with financial institutions, where the fair value of such instruments is based on valuation techniques including market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using net present value calculations. The models used incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The valuation is performed by banks or external valuation providers.

For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss for the period has been 1,8 (0) million.

Note 24 Earnings per share

(Amounts in NOK thousands)

	2019	2018
Net loss attributable to the equity holders of the parent company and for the purpose of basic and diluted shares	-269 710	-188 827
Basic earnings per share		
Issued ordinary shares at 1 January	1 113 551	998 715
Effect of share options exercised	14 464	54 137
Effect of shares issued	76 067	0
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 204 082	1 052 852
Basic earnings per share for loss attributable to the equity holders of the parent company (NOK)	-0.22	-0.18
Diluted earnings per share		
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 204 082	1 052 852
Effect of share options on issue [1]	0	0
Weighted-average number of shares outstanding for the purpose of diluted earnings per share	1 204 082	1 052 852
Diluted earnings per share for loss attributable to the equity holders of the parent company (NOK)	-0.22	-0.18

[1] At 31 December 2019, 25 010 weighted-average options (2018: 22 208) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

Note 25 Risk

OPERATIONAL RISK FACTORS

Technological change

There are risks associated with technological change, both related to technology elements within the field of hydrogen as well as technology elements outside hydrogen that potentially could make hydrogen less relevant for the future. Additionally, if competitors gain advantages in the development of alternative technologies, this could affect the competitive position of the group.

The market for Nel's electrolysers and hydrogen fueling products and services is subject to technological change. The success of the group depends on the timely perception of new trends, developments and customer needs, constant further development of engineering expertise and ensuring that the portfolio of products and services keep pace with technological developments. This presents the risk that competitors may launch new products and services earlier or at more competitive prices or secure exclusive rights to new technologies. If these circumstances materialise, it may have a significant adverse effect on the group's business, prospects, financial results or results of operations. The efficiency of hydrogen, the so-called "well-to-wheel", is typically lower than that of battery technologies. A higher price for renewable power could consequently negatively affect the demand for hydrogen technologies.

Risk relating to acquisition and integration of companies

If the integration of acquired companies into Nel takes longer or proves to be more costly than anticipated, this may affect Nel's business, financial condition and results of operation. Nel has made several sizable acquisitions, most recently Proton Energy Systems Inc in 2017., and may carry out further acquisitions in the future. Any acquisition entails certain risks, including operational and company-specific risks. There is always a risk that the integration process could take longer or be more costly than anticipated. If this is the case, this may have a negative impact on Nel's business, financial position and results of operation.

Expansion risk

The uneven pace of Nel's anticipated expansion in facilities, staff and operations may place serious demands on the group's managerial, technical, financial and other resources. The Nel organisation is currently relatively small. There is no guarantee that the group will be able to build a capable organisation at a speed that is required to meet the demand by its customers or potential customers. Nel's failure to manage its growth effectively or to implement its strategy in a timely manner may significantly harm its ability to achieve profitability.

Dependence of third parties in manufacturing

The group's electrolyser and hydrogen fueling manufacturing operations rely on external subcontractors and suppliers of services and goods to varying degrees. This operating model inherently contains a risk to the group's goodwill and branding. If suppliers fail to meet agreed or generally accepted standards in areas such as environmental compliance, human rights, labor relations and product quality, this could have a significant adverse effect on the group's business, prospects, financial results and results of operations. In general, the company aims at dual sourcing of critical components to limit risk. In addition, the majority of spend is directed towards large industrial companies with full ISO compliance and smaller vendors that are in compliance with local legislation. Further, Nel conducts regular quality reviews, including production site visits for risk assessment.

For some key production components for its electrolyser and hydrogen fueling products, Nel is dependent on a limited number of third party suppliers. All contract manufactured or purchased components are designed and selected in order to avoid a critical supply situation. However, in a worst case scenario, if Nel fails to develop or maintain its relationships with its suppliers or such suppliers are prevented from supplying, Nel may be delayed in manufacturing its products or its products may be available only at a higher cost which could prevent Nel from timely delivering its products to its customers and Nel may experience order cancellation, customer claims and loss of market share. However, prospective investors should note that Nel's supply chain strategy is to ensure dual supply chains on all components. Nel currently has few components with single source, hence there are generally other components available on the market that can fulfil the same need, but these may not currently be qualified in terms of engineering. Also, Nel has design means to get around challenges related to engineering if Nel sees potential threats to the supply chain.

Project risk

Nel participates in large commercial projects. Large commercial projects are subject to risks of delay and cost overruns inherent in any large construction project from numerous factors, including:

- unexpectedly long delivery times for, or shortages of, key equipment, parts and materials;
- unforeseen design and engineering problems leading to delays;
- labor disputes and work stoppages;
- HSE accidents/incidents or other safety hazards;
- disputes with suppliers;
- last minute changes to the customer's specifications;
- adverse weather conditions or any other force majeure events; and
- Inability or delay in obtaining regulatory approvals or permits

Failure to complete a commercial project on time may result in the delay, renegotiation or cancellation of the contract. Further, significant delays could have a negative impact on Nel's reputation and customer relationships. Nel could also be exposed to contractual penalties for failure to complete the project and commence operations in a timely manner, all of which would adversely affect Nel's business, financial condition and results of operations.

Key personnel

The successful development and performance of the group's business depends on the group's ability to attract and retain skilled professionals with appropriate experience and expertise. Further, if the group loses the service of its senior management or key personnel, it may not be able to execute its business strategy. There is no assurance, however, that the group will be able to attract or retain such personnel on acceptable terms or at all. Any failure to attract or retain such personnel could have a material and adverse effect on the group's business and operations.

Customer risk

Nel's ability to grow and generate incremental revenue depends to a substantial degree on its ability to successfully acquire new customers, and to maintain and grow its relationships with existing customers. There can be no assurance that Nel will be able to secure new customers, or maintain its relationships with existing customers, in the future. Further, a number of Nel's existing customers, including Nikola, operate in growth business segments, and should these customers fail to succeed with their business plans or fail to fulfill their contracts with Nel, Nel's sales to such customers may be adversely affected, and Nel's revenues and results may suffer as a result. Should these risks materialise with respect to any of Nel's most substantial customers, the adverse impact on Nel's business, results of operations, financial conditions and prospects as a result thereof may be material.

Intellectual property rights

Nel relies upon intellectual property and trade secret laws and contractual restrictions to protect important proprietary rights, and, if these rights are not sufficiently protected, its ability to compete and generate revenue could suffer significantly. Nel seeks to protect important proprietary manufacturing processes, documentation and other written materials, and other intellectual property primarily under patent, trade secret and copyright laws. It also typically requires employees, consultants and companies that have access to its proprietary information to execute confidentiality agreements. The steps taken by Nel to protect its proprietary information may not be adequate to prevent misappropriation of its technology. In addition, Nel's proprietary rights may not be adequately protected because:

- people may not be deterred from misappropriating its technologies despite the existence of laws or contracts prohibiting misappropriation;
- policing unauthorised use of Nel's intellectual property is difficult, expensive and time-consuming, and the group may be unable to determine the extent of any unauthorised use; and
- the laws of certain countries in which the group markets or plans to market its products may offer little or no protection for its proprietary technologies.

Unauthorised copying or other misappropriation of Nel's proprietary technologies could enable third parties to benefit from its technologies without paying for doing so. Any inability to adequately protect its proprietary rights could harm the group's ability to compete, to generate revenue and to grow its business. This could have a significant adverse effect on the group's business, prospects, financial results and results of operations.

Some of the group's patents are due to expire within the next couple of years which means that the group will lose the sole right to certain technology in certain areas. Although the company believes that this will have little effect on the company's competitive position, no assurance can be made to this point.

The group may not obtain sufficient patent protection on the technology embodied in its products and production processes, which could significantly harm its competitive position and increase its expenses significantly. Nel's patent applications may not result in issued patents, and even if they result in issued patents, the patents may not have claims of the scope that Nel seeks. In addition, any issued patents may be challenged, invalidated or declared unenforceable, or a competitor may have filed similar patent applications as Nel's present and future patents. Patents may provide only limited protection for its technology and may not be sufficient to provide competitive advantages. For example, competitors could be successful in challenging any issued patents or, alternatively, could develop similar or more advantageous technologies on their own or design around the group's patents. Also, patent protection in certain countries may not be available or may be limited in scope and any patents obtained may not be as readily enforceable as in all jurisdictions, making it difficult for the group to effectively protect its intellectual property from misuse or infringement by other companies in these countries. Any inability to obtain and enforce intellectual property rights in some countries could have a significant adverse effect on the group's business, prospects, financial results and results of operations. In addition, given the costs of obtaining patent protection and the sometimes limited potential for protection, the group may choose not to protect certain innovations that later turn out to be important. There is also a general risk that the group receives information subject to confidentiality agreements, regarding other parties' know-how and trade secrets in relation to technology which may hinder the group from development of similar intellectual assets.

Adverse publicity

Product liability claims against the group could result in adverse publicity and potentially monetary damages. It is possible that its products could result in injury, whether by product malfunctions, defects, improper installation or other causes. Nel cannot predict whether or not product liability claims will be brought against it or the effect of any resulting negative publicity on its business. Moreover, the group may not have adequate resources in the event of a successful claim against it. The successful assertion of product liability claims against the group could result in potentially significant monetary damages, which could have a significant adverse effect on the group's business, prospects, financial results and results of operations. As of the date of this annual report, the group is unaware of any current or pending product liability claims made against the company.

FINANCIAL RISK FACTORS

The key financial risks the group is exposed to are related to liquidity, currency, interest rate, and credit risk.

Liquidity risk

Liquidity risk is the potential loss that occurs when the group fails to fulfil its contractual obligations when they fall due.

However, the group has a strong liquidity position, NOK 526.0 million, as per 31.12.2019. This does not include the NOK 845.5 million in gross proceeds from the private placement completed in January 2020.

The strong cash position is a good basis for the group's growth strategy.

The group monitors its risks associated with lack of capital up against the company's planned activities.

The group will if necessary attempt to raise capital through private placements, debt financing, partnerships, and strategic alliances or from other sources. The group may fail to raise capital on acceptable terms, or not do it at all, and this can result in a liquidation.

Currency risk

Nel operates internationally and is subject to currency risks arising from foreign currency transactions and exposures. As the group reports its consolidated results in NOK, any change in exchange rates between NOK and its subsidiaries' functional currencies, primarily with respect to changes in USD and DKK, affects its consolidated statement of income and consolidated statement of financial position. As the group expands its operations with projects in new markets the currency risk exposure increases.

The group is on an overall level managed as a NOK company for currency risk management purposes with primary focus on NOK cash flow.

The groups gross foreign currency risk exposure is significant, with the majority of revenue and expenses denominated in foreign currency. The group mitigate the currency risk exposure by entering into forward currency contracts with financial institutions. The group has a residual net currency risk exposure considering hedging which is considered low to medium.

CURRENCY FLUCTUATION EFFECTS ON NET PROFIT OF THE YEAR:

(Amounts in NOK thousands)

PROFIT AND LOSS			CHANGES IN EXCHANGE RATE NOK/FOREIGN CURRENCIES			
NET PROFIT IN FOREIGN CURRENCIES	VALUE IN CURRENCY	VALUE IN NOK	-10%	-5%	+5%	+10%
DKK	-193 207	-254 975	25 498	12 749	-12 749	-25 498
USD	-15	-131	13	7	-7	-13
KRW	868 134	6 555	-656	-328	328	656
SEK	15 000	13 959	-1 396	-698	698	1 396
EUR	7 564	74 554	-7 455	-3 728	3 728	7 455
Effect on net profit			16 004	8 002	-8 002	-16 004
STATEMENT OF FINANCIAL POSITION						
NET RECEIVABLES/LIABILITIES IN FOREIGN CURRENCIES						
DKK	2 206	2 913	-291	-146	146	291
USD	9 434	82 834	-8 283	-4 142	4 142	8 283
KRW	1 210 217	9 209	-921	-460	460	921
SEK	618	583	-58	-29	29	58
EUR	7 988	78 794	-7 879	-3 940	3 940	7 879
Effect on net profit			-17 433	-8 717	8 717	17 433
Total effect on net profit			-1 429	-715	715	1 429

The table shows the gross foreign currency exposure before hedging. The figures exclude translation of intercompany loans.

Interest rate risk

The group's risk exposure in relation to changes in market interest rates are the group's loans and bank deposits, and a change in interest rates may therefore affect the capital return. The group does not have a significant amount of interest bearing long-term debt obligations and the market interest looks to be stable at low levels in the nearest future. Due to the low amount of debt in the group it is assessed that a change in interest rates will not have a significant effect for the financial statements.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Nel is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Expected credit loss assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a factor method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - geographic region, age of customer relationship and type of products purchased.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers at 31 December 2019.

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by a factor to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and Nel's view of economic conditions over the expected lives of the receivables.

2019	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	LOSS AL-LOWANCE	
Current (not past due)	0.1 %	117 064	101	
1-30 days past due	0.7 %	30 825	216	
31-60 days past due	1.0 %	12 062	121	
61-90 days past due	5.0 %	6 455	323	
91 days to one year past due	15.0 %	17 589	2 638	
More than one year past due	90.0 %	27 356	24 621	
Total		211 352	28 019	13.3 %

2018	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	LOSS AL-LOWANCE	
Current (not past due)	0.0 %	76 841	11	
1-30 days past due	0.1 %	6 145	6	
31-60 days past due	0.5 %	2 919	15	
61-90 days past due	3.0 %	4 567	137	
91 days to one year past due	5.0 %	8 371	419	
More than one year past due	10.0 %	11 560	1 156	
Total		110 402	1 743	1.6 %

RISK FACTORS RELATED TO MARKET

Market development risk

Significant markets for fueling products, other hydrogen energy products or renewable energy as a major source for hydrogen production may never develop or may develop more slowly than the group anticipates. This would significantly harm Nel's revenues and may cause Nel to be unable to recover the losses it has incurred and expect to incur in the development of its products.

Regulatory issues

The group's operations are subject to numerous environmental requirements. Such laws and regulations govern, among other matters, air pollution emissions, wastewater discharges, solid and hazardous waste management, and the use, composition, handling, distribution and transportation of hazardous materials. Many of these laws and regulations are becoming increasingly stringent (and may contain "strict liability"), and the cost of compliance with these requirements can be expected to increase over time.

The group's electrolyser production depends on various discharge permits granted by various authorities. From time to time, breaches of the allowed emission limits set out in such permits may occur. If such limits of the relevant permits should be exceeded, this may have a significant effect on the group's operations and result, as the group may be ordered to temporarily halt production, be subject to fines and/or be ordered to undertake corrective measures.

The group cannot predict the impact of new or changed laws or regulations relating to health, safety, the environment or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of these requirements impose substantial costs or constrain the group's ability to expand or change its processes, the group's business, prospects, financial results and results of operations could suffer. Any breach of such requirements could in addition result in fines or other substantial costs and/or constraint the group's ability to operate its production plant, which could have a significant adverse effect on its business, prospects, financial results and results of operations.

The fuel cell and hydrogen industry are in its development phase and is not currently subject to industry specific government regulations in the European Union, Asia and the United States, as well as other jurisdictions, relating to matters such as design, storage, transportation and installation of fuel cell systems and hydrogen infrastructure products. However, given that the production of electrical energy has typically been an area of significant government regulation, the Company expects it will encounter industry specific government regulations in the future in the jurisdictions and markets in which it operates. For example, regulatory approvals or permits may be required for the design, installation and operation of Nel's products. To the extent there are delays in gaining such regulatory approval, Nel's development and growth may be constrained. Nel's business will suffer if environmental policies change and no longer encourage the development and growth of clean power technologies.

Nel depends substantially on government subsidies. Political developments could lead to a material deterioration of the conditions for, or a discontinuation of, the subsidies for its technology. It is also possible that government financial support for Nel's technology will be subject to judicial review and determined to be in violation of applicable constitutional or legal requirements or be significantly reduced or discontinued for other reasons. Without government subsidies, or with reduced government subsidies, the availability of profitable investment opportunities for Nel would be significantly lower, which could have a material adverse effect on Nel's business, financial condition, results of operations and cash flows.

Competition

The group competes with a large number of competitors. Many competitors are developing and are currently producing products based on technologies that may have costs similar to, or lower than, the group's projected costs. Many of the group's existing and potential competitors may have longer operating histories, greater name recognition, structurally better cost positions through geographical location or agreements with local authorities (including direct and indirect subsidies), better access to skilled personnel, better access to research and development partners, access to larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than the group. As a result, they may be able to respond more quickly than the group can to the changing customer demands or to devote greater resources to the development, promotion and sales of their products. The group's business relies on sales of its products, and competitors with more diversified product offerings may be better positioned to withstand a decline in the demand for products of the types that the group offers. It is possible that new competitors or alliances among existing competitors could emerge and rapidly acquire significant market share, which would harm the group's business. If the group fails to compete successfully, it could have a significant adverse effect on the group's business, prospects, financial results and results of operations.

Note 26 Finance income and cost

	2019	2018
Interest income	9 515	4 818
Change in fair value equity instruments	1 771	0
Gain on sale of subsidiary	1 211	0
Other	146	0
Finance income	12 643	4 818
Interest expense	913	575
Interest expense lease liabilities	5 009	0
Capitalised interest	-1 207	0
Net foreign exchange loss	1 351	954
Other	435	0
Finance cost	6 501	1 529
Net finance income (cost)	6 142	3 289

Net foreign exchange loss is mainly unrealised effects from revaluing internal loans.

Note 27 Provisions

	2019	2018
Accrued warranty	17 721	15 559
Sosial security share options	5 977	2 015
Kjørbo incident provision	10 006	0
Onerous contracts	0	5 821
Total provisions	33 704	23 396

	ACCRUED WARRANTY	SOSIAL SECURITY SHARE OPTIONS	KJØRBO INCIDENT PROVISION	ONEROUS CON-TRACTS	TOTAL
As of 31.12.2018	15 559	2 015	0	5 821	23 396
Additions	8 591	4 878	20 471	4 013	37 952
Used during the year	-6 429	-849	-10 465	-9 834	-27 577
Reversal of unused provisions	0	-66	0	0	-66
As of 31.12.2019	17 721	5 977	10 006	0	33 704

Accrued warranty

Warranty terms vary by product and business segment. Nel provides warranty that product complies with specification, and offer repair, replacement or refund of consideration paid for breaches. Such warranties are limited in time, for most products not exceeding 12 months. Some customers purchase extended warranty exceeding the first 12 months. Warranty is based on both contractual commitments and caused by liability under background law. Accrued warranty provision is based on experience assumptions and provision comprises a percentage of revenue from contracts with customers, in the range of 1 % to 5 %

Social security share options
Social security stock options is the provision for social security payable in Norway, calculated at the intrinsic value pr 31.12.2019. See note 6 for further information on share option program.

Kjørbo incident provision
In the second quarter 2019 Nel booked a provision of NOK 35 million related to the Kjørbo incident. Operating loss has been negatively affected by NOK 35 million in direct and indirect costs related to this incident during 2019. At the end of 2019 the remaining provision is NOK 10 million.

Onerous contracts
An onerous contract is a contract in which the unavoidable costs (i.e. the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it) exceed the economic benefits expected to be received under the contract. For all contracts that are onerous, the present obligation under the contract is recognised and measured as a provision.

Note 28 Contractual commitments and commitments for future investments

Nel is committed to future investments in Hydrogen Energy Network (HyNet) of approximately NOK 30 million. These commitments are expected to be settled in cash outflow of NOK 11,3 million, NOK 13,2 million and NOK 5.2 million in 2020, 2021 and 2022, respectively.

Note 29 Related parties

Nel bought marketing services of NOK 107 500 from Maskinen AS, a company that its chairman is a director of Nel. Amounts were billed based on market rates for such services and were due and payable under normal payment terms.

The members of Nel's board of directors during 2019 and 2018 are stated in note 6 personnel expenses, where their remuneration is outlined. Share ownership is outlined in note 15 share capital and shareholders.

See note 6 personnel expenses for information on key management personnel compensations.

Nel's significant transactions with associated companies and joint ventures are described in note 19 Investments in associated companies and joint ventures

Transactions with related parties are at arm's length principles.

Note 30 Subsequent events

To fund the growth strategy, on 21 January 2020, Nel raised approximately NOK 845.5 million in gross proceeds through a private placement of 89 000 000 new shares at a price per share of NOK 9.50.

On 8 April 2020, it was approved to issue 13.35 million shares in a subsequent offering, at the same price as in the private placement, which raised NOK 126.8 million in gross proceeds.

In March 2020, the World Health Organisation (WHO) declared Covid-19 a global pandemic. During this period countries, organisations and Nel have taken considerable measures to mitigate risk for communities, employees and business operations. Nel is monitoring the development of the Coronavirus disease (COVID-19) and assessing current and potential impact on employees and operations. Initial mitigating actions have been implemented and further mitigating actions are evaluated on a continuous basis. The full extent of the Covid-19 pandemic and the resulting operational (such as interruptions in production, supply chain disruptions and unavailability of personnel) and economic impact (such as reductions in sales or productivity and expected credit losses) for Nel cannot be predicted at the time of publication of these Consolidated financial statements.

Other than the global virus situation, the private placement and the subsequent offering, there have been no significant changes in the financial position of the Group since the date of the interim financial statements for twelve months ended 31 December 2019

Note 31 Going concern

The financial statement is presented on the going concern assumption under International Financial Reporting Standards. As per the date of this report the group has sufficient working capital for its planned business activities over the next twelve month period.

The Board of Directors confirmed on this basis that the going concern assumption is valid, and that financial statements are prepared in accordance with this assumption.

Parent company financial statements

Statement of comprehensive income

(Amounts in NOK thousands)

		Nel ASA	
	NOTE	2019	2018
Other operating income	4	19 264	10 932
Total operating income		19 264	10 932
Personnel expenses	3	26 164	15 931
Depreciation	7	1 043	161
Other operating expenses	5	16 462	17 474
Total operating expenses		43 669	33 566
Operating loss		-24 405	-22 635
Finance income	13	25 405	7 014
Finance costs	13	-35 946	-424
Share of loss from associate and joint venture	11	-1 325	0
Net financial items		-11 866	6 590
Pre-tax loss		-36 271	-16 045
Tax expense	6	0	0
Net loss attributable to equity holders of the company		-36 271	-16 045

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
ASSETS	NOTE	2019	2018
NON-CURRENT ASSETS			
Property, plant and equipment	7	2 685	1 017
Investments in associates and joint ventures	11	200	3 250
Investments in subsidiaries	11	1 222 763	1 217 465
Other investments	12	43 902	42 131
Receivables from subsidiaries		490 820	217 327
Total non-current assets		1 760 370	1 481 190
CURRENT ASSETS			
Receivables			
Trade receivables		62	222
Receivables from subsidiaries		33 257	10 790
Other current receivables	10	3 688	1 005
Cash and cash equivalents	8	479 567	282 018
Total current assets		516 574	294 035
Total non-current assets			
TOTAL ASSETS		2 276 944	1 775 225

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
EQUITY AND LIABILITIES	NOTE	2019	2018
EQUITY			
Paid in capital			
Share capital	9	244 421	222 710
Treasury shares	9	-14	-12
Share premium	9	2 089 418	1 585 570
Other capital reserves	9	36 253	29 946
Total paid in capital		2 370 078	1 838 215
Other equity			
Retained earnings	9	-111 545	-73 551
Total other equity		-111 545	-73 551
Total equity		2 258 532	1 764 663
Non-current liabilities			
Other non-current liabilities		1 032	0
Total non-current liabilites		1 032	0
Current liabilities			
Trade payables		2 095	578
Public duties payable		6 538	2 646
Payables to subsidiaries		367	32
Other current liabilities	10	8 380	7 305
Total current liabilities		17 380	10 562
Total liabilities		18 412	10 562
TOTAL EQUITY AND LIABILITIES		2 276 944	1 775 225

OSLO, 22 APRIL 2020

THE BOARD OF DIRECTORS OF NEL ASA

Hanne Blume
Board member

(Sign)

Ole Enger
Chair of the Board

(Sign)

Beatriz Malo de Molina
Board member

(Sign)

Mogens Filtenborg
Board member

(Sign)

Finn Jebsen
Board member

(Sign)

Jon André Løkke
CEO
(Sign)

Statement of cash flows

(Amounts in NOK thousands)

		Nel ASA	
CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2019	2018
Loss before tax		-36 271	-16 045
Interests cost, reversed		59	147
Interests income, reversed		0	-7 014
Share of loss from associate and joint venture		1 325	0
Depreciation	7	1 043	161
Fair value equity instruments		-1 771	0
Change in provisions		36 008	1 612
Change in account receivables, group receivables		-22 308	-120
Change in trade payable and group payables		1 852	-259
Changes in other current assets and other liabilities		-162	-248
Net cash flow from operating activities		-20 224	-21 765
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investments in tangible and intangible assets	7	-169	-761
Cash outflow investment in shares	12	0	-42 131
Loan given to subsidiaries, associates and joint ventures		-308 493	-229 453
Acquisition of associates and joint ventures		0	-1 540
Acquisition of subsidiaries	11	0	-6 722
Net cash flow from investment activities		-308 662	-280 607
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid		-59	-147
Interests received		0	7 014
Gross cash flow from share issues		545 984	332 259
Transaction costs related to capital increases		-20 426	-12 954
Treasury shares		0	0
Payment of lease liabilities		936	0
Net cash flow from financing activities		526 435	326 172
Net change in cash and cash equivalents		197 548	23 800
Cash balance as of 01.01	8	282 019	258 219
Cash balance as of 31.12	8	479 567	282 019


FORBUDT Å OPPHOLDE SEG
INNENFOR MASKINENS
ARBEIDSOMRÅDE
NÅR SNOREN ER TRUKKET

Notes to the financial statements parent company

Note 1 Company 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 as part of Norsk Hydro, Nel has 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 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 parent company financial statements were approved by the Board of Directors on 22th of April 2020.

Note 2 Significant accounting principles

Statement of compliance
The financial statements of Nel ASA are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for preparation
These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value.

Accounting estimates and judgements

In preparing the financial statements, assumptions and esti¬mates that have had effect on the amounts and presentation of assets and liabilities, income and expenses and contingent liabilities must be made. Actual results could differ from these assumptions and estimates.

Foreign currency translation
The functional currency and presentation currency of the company is Norwegian kroner (NOK). Transactions in foreign currency are translated at the rate applicable on the transac¬tion date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical cost expressed in a foreign currency are trans¬lated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date.

Employee benefits
Wages, salaries, bonuses, pension and social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. The company has pension plans for employees that are classified as defined contribution plans. Contributions to defined contribution schemes are recognised in the statement of comprehensive income in the period in which the contribution amounts are earned by the employees.

For further information refer note 3 – Employee benefits.

Interest income and expenses
Interest income and expenses are recognised in the statement of comprehensive income within 'finance income' and 'finance cost' as they are accrued, based on the effective interest method.

Income tax expense
Income tax expense in the statement of comprehensive income for the year comprises current tax and changes in deferred tax. Income tax expense is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Uncertain tax positions and potential tax exposures are analysed individually and the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually cer¬tain amounts for assets to be received (disputed tax positions for which payment has already been made) in each case are recognised within current tax or deferred tax as appropriate.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. For a deferred tax asset to be recognised based on future taxable profits, convincing evidence is required.

Subsidiaries and investment in associated companies and joint ventures

Subsidiaries are all entities controlled by Nel ASA. Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The company's investments in its associates and joint ventures are accounted for using the equity method. An associate is an entity where the company has significant influence. A joint venture is an entity where the company has joint control contractually together with one or several other parties.

Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

Events after the reporting period

New information of the company's financial position on the end of the reporting period which becomes known after the reporting period, is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period, but which will affect the company's financial position in the future are disclosed, if significant.

Statement of cash flow

The cash flow statement is prepared using the indirect method.

Note 3 Personnel expenses

(Amounts in NOK thousands)

SALARIES AND PERSONNEL EXPENSES	2019	2018
Salaries	13 416	10 146
Social security tax	6 336	2 160
Pension expense	1 193	786
Other payroll expenses*	5 218	2 839
Total	26 164	15 931

** Included in this amount are expenses amounting to NOK 1 008 thousands (2 605 in 2018) related to the company's stock option- and stock purchase incentive schemes.*

Average number of FTEs	5	4

Pension

The company has a defined contribution pension plan for its employees that meet the requirements of the Pension Acts of Norway

For remuneration of personnel employed in Nel ASA who is part of Nel Group management team, Jon André Løkke, Bent Skisaker, Bjørn Simonsen, Raluca Leordeanu, Hans Hide and Stein Ove Erdal this information is in Note 6 of the Group Financial Statements. The same applies to remuneration to the board of directors.

REMUNERATION OF MANAGEMENT 2019	SALARY	BONUS	PENSION EXPENSE	OTHER REMU-NERATION [1]	TOTAL REMUNERATION
Jon André Løkke, CEO [2]	2 720	788	171	549	4 226
Bent Skisaker, CFO	2 124	150	171	549	2 993
Bjørn Simonsen, VP Investor Relations ans Corporate Communication	1 404	0	171	549	2 124
Raluca Leordeanu, VP Business Development	1 203	0	171	0	1 374
Hans Hide, SVP Projects [3]	1 308	0	171	300	1 779
Stein Ove Erdal, Vice President Legal and General Counsel [4]	830	0	171	0	1 001
Total	9 589	938	1 024	1 947	13 496

[1] *Other remuneration is mainly related to exercised matching shares*
[2] *Jon André Løkke has a six months notice period, plus is entitled to six months severence pay.*
[3] *Employed in Nel from March 2019*
[4] *Employed in Nel from May 2019*

Note 4 Related parties

Transactions with related parties

All related party transactions have been carried out as part of the normal course of business and at arm's length. The most significant transactions are:

- Subsidiaries and associates - management service income
Nel ASA has during 2019 charged NOK 19.3 millions for corporate services provided to its subsidiaries and associates (2018: NOK 10.9 millions)

- Subsidiaries and associates - financing
In the course of the ordinary business, intercompany financing is provided from Nel ASA to its subsidiaries and associates. Long-term financing is interest bearing and priced at arm's length terms using a NIBOR 3 month interest rate + 3%-point margin.

Note 5 Other operating expenses

SPECIFICATION OF OTHER OPERATING EXPENSES:	2019	2018
Office premises etc.	368	878
Administrative costs	5 709	6 463
Professional fees	8 140	8 539
Travel expenses	2 245	1 594
Other operating expenses	16 462	17 474

Auditor fees

FEES TO THE AUDITOR	2019	2018
Statutory auditing services	1 453	1 096
Attestation services	0	0
Non-auditing services	512	657
Total	1 965	1 753

Amounts are exclusive VAT.

Note 6 Income taxes

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2019	2018
Loss before tax	-36 271	-16 045
Permanent differences	34 782	5 420
Change in temporary differences	-851	-260
Use of tax losses carried forward	0	0
The year's taxable income	-2 340	-10 885

Loss before tax	-36 271	-16 045
Tax rate (22% in 2019 and 23% in 2018)	-7 980	-3 690
Tax effect of:		
Permanent differences	7 652	1 247
Change in temporary differences	390	0
Change in tax loss carry forward due to incorrect treatment of acquisition cost	0	2 480
Change in tax rates recognised in temporary differences*	0	4 587
Change in not recognised deferred tax assets (tax liabilities)	-62	-4 623
Total income tax expense (income)	0	0

**Change in tax rate from 23% to 22% in 2018*

Income tax expense (income) comprises		
Income tax payable	0	0
Change in deferred tax	0	0
Total income tax expense (income)	0	0

Specification of temporary differences:		
Trade receivables	0	0
Property, plant and equipment and goodwill	-360	-625
Leases	-67	0
Provisions for liabilities	0	-653
Shares and other investments	1 771	0
Tax losses carry forward	-459 797	-457 457
Basis for deferred tax asset	-458 453	-458 735

Nominal tax rates for next year	22 %	22 %
Deferred tax asset	-100 860	-100 922
Deferred tax asset not recognised in Statement of financial position	-100 860	-100 922
Deferred tax asset in the Statement of financial position	0	0

The majority of the deferred tax asset is related to loss carry forward. As of 31 December 2019 it is considered not likely that the tax loss carry forward will be utilised in the near future, therefore the deferred tax assets is not capitalised.

In 2018 the loss carryforward was reduced with NOK 10.8 million due to incorrect treatment of acquisition cost from previous periods.

Note 7 Property, plant and equipment

	OFFICE MACHINES	TECHNICAL INSTALLATIONS	RIGHT-OF-USE ASSETS	TOTAL
Acquisition cost as of 01.01.2018	324	262	0	586
Additions	761	0	0	761
Acquisition cost as of 31.12.2018	1 085	262	0	1 347
Additions	169	0	2 541	2 711
Acquisition cost as of 31.12.2019	1 254	262	2 541	4 058
Accumulated depreciation as of 01.01.2018	117	52	0	169
Depreciation for the year	161	0	0	161
Accumulated depreciation as of 31.12.2018	279	52	0	330
Depreciation for the year	171	52	820	1 043
Accumulated depreciation as of 31.12.2019	450	104	820	1 373
Carrying amount as of 31.12.2018	806	210	0	1 017
Carrying amount as of 31.12.2019	805	158	1 722	2 685
Useful life	3 years	5 years	3 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	

Note 8 Cash and cash equivalents

	2019	2018
Cash and cash equivalents	443 489	281 226
Restricted cash (witheld employee taxes)	746	462
Other restricted bank accounts	35 331	331
Total cash and cash equivalents	479 567	282 018

Note 9 Share capital and shareholders

	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	TREASURY SHARES	RETAINED EARNINGS/ OTHER EQUITY	TOTAL EQUITY
Equity as of 01.01.2018	998 715	199 743	1 289 837	19 188	-4 136	-53 406	1 451 226
Increase of capital 2018	114 836	22 967	296 337				319 305
Treasury shares					4 124	-4 124	-
Options and share program				10 758			10 758
Other Changes			-604			23	-581
Net loss attributable to equity holders of the company						-16 045	-16 045
Equity as of 31.12.2018	1 113 551	222 710	1 585 570	29 946	-12	-73 552	1 764 663
Increase of capital 2019	108 551	21 710	503 848				525 558
Treasury shares					-2	2	-
Options and share program				6 307			6 307
Other Changes						-1 725	-1 725
Net loss attributable to equity holders of the company						-36 271	-36 271
Equity as of 31.12.2019	1 222 102	244 421	2 089 418	36 253	-14	-111 546	2 258 532

For information of shareholders as of 31 December 2019, shares hold by exectutive management and the board of directors please refer to Note 15 in the consolidated financial statements.

Note 10 Specification of balance sheet items

SPECIFICATION OF OTHER CURRENT ASSETS:	2019	2018
VAT net receivable	504	374
Prepayments	2 130	367
Fair value of currency contracts	803	0
Other current receivables	251	265
Total other current assets	3 688	1 005

SPECIFICATION OF OTHER CURRENT LIABILITIES:	2019	2018
Vacation allowance and other salary related accruals	1 874	1 176
Fair value of currency contracts	1 623	4 552
Lease liabilities	989	0
Other current liabilities	3 895	1 577
Total other current liabilities	8 380	7 305

SPECIFICATION OF OTHER NON-CURRENT LIABILITIES:	2019	2018
Fair value of currency contracts	232	0
Lease liabilities	800	0
Total other non-current liabilities	1 032	0

Nel offers currency derivatives to subsidiaries using such instruments for risk management. Contracts are recognised at estimated market value, determined by calculating the contractual cash flows using currency rates at the balance sheet date and discounting those cash flows to a present value. The contracts represents exposure in US dollars, Euro, Swedish Krone and British pounds. The contracts mature no later than 2021.

Note 11 Subsidiaries, associates and joint ventures

COMPANY	2019	2018
Nel Hydrogen Electrolyser AS	147 051	146 617
Nel Hydrogen A/S	565 940	563 223
Nel Fuel AS	55	55
Proton Energy Systems Inc	495 222	493 200
Nel Hydrogen Inc	644	524
Nel Korea Co. Ltd	13 851	13 846
Total	1 222 763	1 217 465

				ACQUISITION COST	
	COUNTRY	OWNERSHIP		2019	2018
Glomfjord Hydrogen AS	Norway	28.57 %	Associate	200	200
Hyon AS	Norway	33.33 %	Joint venture	3 050	3 050
Total				3 250	3 250

Share of loss from Hyon AS is NOK 1.3 million in 2019 recognised within 'share of loss from associate and joint venture'

Note 12 Other investments

During 2018 Nel invested USD 5.0 million in Nikola Motor Company Inc. As of 31 December 2019, the shares are unquoted and there has not been any transactions of Nel's series C round shares. The shares are recognised at the USD cost price of the shares which is the approximate fair value at year end, revalued to NOK as of 31 December 2019.

Note 13 Finance income and cost

	2019	2018
Interest income	23 634	7 014
Change in fair value equity instruments	1 771	0
Finance income	25 405	7 014
Interest expense	59	48
Interest expense lease liabilities	184	0
Net foreign exchange loss	525	376
Expected credit loss receivables from subsidiaries	35 000	0
Other	178	0
Finance cost	35 946	424
Net finance income (cost)	-10 541	6 590

Note 14 Guarantees

Nel provides guarantees arising in the ordinary course of business including stand-by letters of credit, performance bonds and various payment or financial guarantees. All commercial guarantees are on behalf of subsidiaries.

Note 15 Subsequent events

To fund the growth strategy, on 21 January 2020, Nel raised approximately NOK 845.5 million in gross proceeds through a private placement of 89 000 000 new shares at a price per share of NOK 9.50.

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.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nel ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nel ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2019, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue from sale of customised product and equipment

The Group derives a significant part of its revenues from sale of customised product and equipment. Such projects involve revenue recognition over time based on percentage of completion. The assessment of percentage of completion requires subjectivity and professional judgement and is therefore subject to uncertainty and potential misstatements.

The main risks include management's use of estimates and judgments in relation to percentage of completion, including determining the contract's total revenues, expected costs to complete and estimated project margin. We consider this a key audit matter because of the significant amounts and the management judgement applied in the estimates.

We assessed the application of accounting principles and routines for monitoring the customised product and equipment sales. We discussed the status of contracts with management, finance and technical staff and tied estimated revenues and cost to budgets. For new contracts we tested the estimated revenue against agreements. We have also recalculated the percentage of completion and performed test of details e.g. vouching to invoices and hours incurred on the projects.

We refer to the Groups disclosures included in note 2 and 4 in the consolidated financial statements.

Assessment of impairment of goodwill

At 31 December 2019, the recorded amount of goodwill was NOK 609.2 million, 25 % of total assets. Estimating the recoverable amount of the goodwill requires management judgment including estimates of future sales, gross margins, operating costs, growth rates, capital expenditures and discount rate. Management's annual impairment assessment was a key audit matter because the assessment requires significant judgment and includes estimation uncertainties.

For each cash generating unit, we evaluated the assumptions based on the development in the market and compared the cash-flow projections in the impairment calculation to board approved budgets. We considered the accuracy of management's prior year estimates and evaluated the level of consistency applied in the valuation methodology from previous years. Furthermore, we compared the risk premiums in the weighted average cost of capital with external data and considered management's adjustments for company specific factors. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis of the assumptions used. We assessed the Group's disclosures included in note 2 and 11 in the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

Building a better working world

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 21 April 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Petter Larsen
State Authorised Public Accountant (Norway)

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Petter Frode Larsen
Statsautorisert revisor
Serial number: 9578-5994-4-4118388
IP: 81.166.xxx.xxx
2020-04-21 12:25:19Z

bank ID

Penneo document key: BDC35-GKVQF-LJH28-AKKCW-FKNG5-LQIXH

info@nelhydrogen.com
+47 23 24 89 50
www.nelhydrogen.com

Office address:
Karenslyst allé 20,
0212 Oslo, Norway