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Nel ASA

Q2 2020 interim report

Highlights of the quarter

- Nel ASA (Nel) reported revenues in the second quarter 2020 of NOK 148.6 million, a 21% increase from NOK 122.5 million in the second quarter 2019
 - Global travel restrictions and extraordinary measures related to the Covid-19 pandemic have negatively impacted progress on customer/partner dialogue, order intake, installation, commissioning, and production efficiency
- Order backlog reached NOK 1 036.6 million at the end of the quarter, up 83% from the end of second quarter 2019 (up 75% compared to the end of first quarter 2020)
- EBITDA of NOK -48.7 million (Q2 2019: -72.6). Second quarter 2019 included a provision for the Kjørbo incident of NOK 35 million.
- Operating loss of NOK -72.0 million (Q2 2019: -90.7). Pre-tax profit of NOK 594.3 million (-94.7), mainly related to a positive fair value adjustment of the shareholding in Nikola Corporation
- Cash balance of NOK 2 566.1 million (Q2 2019: 697.7)
- Completed a subsequent offering of 13.35 million new shares, at a price per share of NOK 9.50, raising NOK 126.8 million in gross proceeds
- Completed a successful private placement of 70.46 million new shares, at a price per share of NOK 18.45, raising NOK 1 300.0 million in gross proceeds
- Entered into framework agreement with Lhyfe for delivery of up to 60 megawatt of alkaline electrolyzers in France. The framework agreement follows an EUR 1 million purchase order for an alkaline electrolyser in March 2020
- Received a purchase order from Nikola Corporation with a value in excess of USD 30 million, for 85 megawatt alkaline electrolyzers related to the deployment of the world's first 8 ton/day hydrogen fueling stations
- Received purchase order from Hydrogen Energy Network Co., Ltd. (HyNet) for three additional H2Station® hydrogen fueling stations in South Korea with a value of approx. EUR 4.0 million
- Received purchase order for a containerised 2.5 megawatt Proton PEM® electrolyser from a customer in Europe
- Received purchase order for multiple H2Station™ units from a large international company with a value in excess of NOK 150 million

Subsequent events

- On July 2, awarded a NOK 16 million grant from the Research Council of Norway for a research project which seeks to further improve the efficiency and cost of next generation, pressurised alkaline electrolyser platform
- On July 27, awarded a USD 4.4 million grant by the Department of Energy (DOE) for development of advanced components and manufacturing methods to enable low cost hydrogen from electrolysis

Key figures

<i>(unaudited amounts in NOK million)</i>	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Operating revenue	148.6	122.5	275.1	244.9	569.7
Operating expenses	220.6	213.3	434.0	387.7	823.3
EBITDA	-48.7	-72.6	-113.2	-107.5	-178.1
Operating loss	-72.0	-90.7	-158.9	-142.8	-253.6
Pre-tax income (loss)*	594.3	-94.7	589.1	-147.9	-277.2
Net income (loss)*	596.4	-92.8	593.2	-144.2	-269.7
Net cash flow from operating activities	-54.1	-81.7	-62.8	-113.2	-209.2
Cash balance end of period	2 566.1	697.7	2 566.1	697.7	526.0

* Q2 2020 includes NOK 32.2 million in unrealised currency exchange loss related to internal loans and a positive fair value adjustment of the shareholding in Nikola Corporation of NOK 675.6 million (a value of USD 67.53 per share as of June 30, 2020). A 10 USD increase/reduction in the share price of Nikola Corporation will lead to gains/losses of about NOK 100 million with a USD/NOK of 9.0

Financial development

Nel revenues and operations have been and are expected to continue to be negatively impacted by disruptions in the value chain, travel restrictions and the general business slow down caused by Covid-19. Nel remains committed to its strategy and has since 2019 taken on additional costs to prepare for future growth. The revenue shortfall and business disruptions caused by Covid-19 have impacted and will continue to impact financial results negatively throughout 2020, but have not resulted in a change of strategy for the company.

Nel reported revenue and operating income in the second quarter 2020 of NOK 148.6 million (Q2 2019: NOK 122.5 million), following growth in the Fueling and Electrolyser segment of 36.8% and 7.3%, respectively, compared to the same quarter in 2019. Revenues were negatively impacted by "stay home - stay safe" policies and travel restrictions arising from the Covid-19 pandemic, specifically the portion of revenues that are recognised at delivery or when commissioning is completed.

At the end of the second quarter 2020, Nel had an order backlog of NOK 1 036.6 million, especially strengthened by the electrolyser purchase order from Nikola as well as a large purchase order for H2Stations.

Cost of goods sold (COGS) has increased with 26.5% from second quarter 2019. The increased COGS is related to the 21.2% increase in revenues and is also affected by increased costs from project execution in the Fueling and Electrolyser divisions.

Personnel expenses increased by 36.1% compared to the same quarter in 2020, which is explained by a higher number of employees, up from 274 employees by the end of second quarter 2019 to 361 at the end of second quarter 2020. Other operating expenses increased by 29.0%. Both the

personnel and other operating costs increase are the results of Nel's strategic decision to pursue growth and higher activity levels.

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

Costs for the stock option- and share incentive program, which are included in personnel expenses, were NOK 2.9 million (2.3) in the quarter.

EBITDA ended at NOK -48.7 million (-72.6), while the EBITDA margin was -32.8% (-59.3%). Second quarter last year included Kjørbo provision of NOK 35 million.

Depreciation and amortisation were NOK 23.4 million (18.1) in the quarter.

Operating loss amounted to NOK -72.0 million (-90.7) in the period.

Net financial items amounted to a gain of NOK 666.4 million (-4.0) and was driven by a positive fair value adjustment of the shareholding in Nikola Corporation of NOK 675.6 million (a value of USD 67.53 per share as of June 30, 2020).

Pre-tax income was NOK 594.3 million (-94.7) in the quarter and the net income was NOK 596.4 million, compared to a loss of NOK -92.8 million in the same quarter 2019.

Comprehensive income is positive with NOK 543.7 million (-94.6). There was a negative currency translation difference, net of tax, of NOK

49.8 million in the quarter (-1.9) related to converting statement of financial position from subsidiaries in USD and DKK into NOK using a lower currency rate than in the previous quarter.

Total assets were NOK 5 453.3 million at the end of the quarter, compared to NOK 2 430.7 million at the end of 2019, mainly due to an increase of cash from share capital increases in January and June, working capital and current assets. Total equity was NOK 4 751.2 million, thus, the equity ratio was 87.1%.

Net cash flow from operating activities in the quarter was NOK -54.1 million, compared to NOK -81.7 million in the second quarter in 2019. The development is mainly due to a reduction in working capital driven by improved cash collection decreasing trade receivables partly offset by an increase in inventories. Net cash flow from investing activities was NOK -18.6 million (-27.4). The acquisition of H2 Fuel Norway AS (former Uno-X Hydrogen AS) gave a positive cash flow from investing activities of NOK 26.0 million as the cash balance acquired exceeded the cash consideration.

Nel's cash balance at the end of second quarter 2020 was NOK 2 566.1 million. The increase from end of 2019 is mainly due to raising net proceeds of NOK 818.8 million and NOK 1 265.5 million from the share capital increase in January and June, respectively. This is partly offset by negative cash flow from operations and investments.

First half of 2020

Nel reported revenues in the first half of 2020 of NOK 275.1 million (1H 2019: 244.9 million). Operating expenses increased to NOK 434.0 million (387.7), resulting in an operating loss of NOK -158.9 million (-142.8) and a net income of NOK 593.2 (-144.2).

EBITDA amounted to NOK -113.2 million in first half 2020 compared to NOK -107.5 million in the same period in 2019. First half 2020 was negatively impacted higher cost levels as well as somewhat lower margins in addition to the general Covid-19 situation resulting in lower sales and productivity. First half 2019 included Kjørbo provision of NOK 35 million.

Nel in brief

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

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

Our hydrogen solutions cover important parts of the value chain: from hydrogen production technologies to hydrogen fueling stations, enabling industries to transition to green hydrogen, and providing fuel cell electric vehicles with the same fast fueling and long range as fossil-fuelled vehicles - without emissions.

Nel Hydrogen Electrolyser

Production and installation of electrolysers for hydrogen production.

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

Historically, hydrogen has primarily been used as an input factor for a broad spectrum of industrial applications and products, such as ammonia, refineries, methanol, edible oil, chemicals, metallurgy, glass, electronics, generator cooling,

polysilicon used in PV solar panels, and other industrial applications.

Of the total global hydrogen market, only around 1% of the hydrogen is generated via water electrolysis. However, electrolysis is expected to grow in market share, mainly driven by the decreasing cost of renewable energy, increased share of intermittent (wind and solar) energy, decreasing cost of electrolysers, and an increasing focus on climate and air quality.

The overall hydrogen market is also expected to grow significantly in the coming years, with hydrogen being used as a zero-emission fuel for mobility and as a way of decarbonising various industrial sectors like the replacement of coal in the metal industry, and other hard-to-decarbonise sectors. The process of converting renewable electricity to hydrogen and utilising hydrogen both in existing and new markets, is referred to as "power-to-X", where X refers to the various applications for hydrogen.

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

Nel began commercial sales of electrolysers in the 1970s and has since delivered over 3500 electrolyser units in more than 80 countries across the globe. The business area has manufacturing facilities in Notodden, Norway, and in Wallingford, Connecticut, USA. The company has a global reach through its in-house sales operation and network of agents across the globe.

Today, Nel has the world's largest product portfolio of alkaline and PEM electrolysers and is continuously developing and improving both technologies. Initiatives include a next generation large scale, pressurised alkaline electrolyser as well as larger PEM stacks, and large-scale solutions

which allow for significant cost reductions on a system level.

With increasing demand for large scale electrolyzers, Nel has also decided to significantly increase its manufacturing capacity of atmospheric alkaline electrolyzers. In 2019 Nel secured a location for the new manufacturing plant at Herøya, Norway, and targets to have an initial capacity of 500 MW/year, around 12 times current capacity. The capacity at the new plant can be further expanded to approximately 2 GW/year. The new manufacturing plant will be highly automated and significant cost reductions are expected, which will be important in making renewable hydrogen cost competitive with fossil hydrogen and fossil fuels.

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

Nel Hydrogen Fueling

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

Nel Hydrogen Fueling is a leading manufacturer of hydrogen fueling stations that provide FCEVs (Fuel Cell Electric Vehicles) with the same fast fueling and long range as conventional fossil fuel vehicles. Since Nel began manufacturing hydrogen fueling stations in 2003, we have invested significantly in R&D. Today, Nel is one of the global leaders on hydrogen fueling stations for mobility applications. The H2Station™ technology is now being utilized on a daily basis in several European countries as well as in South Korea and California, US, providing forklifts, passenger vehicles, buses and trucks hydrogen, driving the transition to zero emission mobility.

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

Nel's H2Station™ manufacturing plant is located in Herning, Denmark. It has capacity of 300 hydrogen stations per year, leaving room for significant growth. Combining technology innovations with increased manufacturing capacity should enable Nel to further reduce the cost of our leading hydrogen fueling station solutions.

Our target is to enable hydrogen to outcompete fossil fuels for an increasing number of applications, and eventually to become a preferred fuel alternative, this we refer to as fossil parity. To be able to do that, the cost of the H2Station needs to come down as well as the reliability needs to be improved. Today, the entire industry is working on improving these elements including Nel that is investing massively in improving the product portfolio. Further, Nel see an increased activity level within the heavy-duty segment which 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, our combined electrolyser and fueling activities are supporting our vision:

*"empowering generations with clean energy
forever"*

Developments

Nel Hydrogen Electrolyser

Nel Hydrogen Electrolyser reported revenues of NOK 69.2 million in the second quarter of 2020, a growth of 7% from NOK 64.5 million in the same quarter 2019. Norway has an increase of 67% from higher sales of Alkaline electrolysers, while the US has a decrease of 3% from sales of PEM electrolysers.

EBITDA was NOK -20.3 million in the second quarter of 2020, a decrease from NOK -12.8 million in the same quarter in 2019. The reduction of NOK 7.5 million was mainly due to higher costs levels and somewhat lower margins in Norway as well as a general negative impact on operations in Norway and the US due to Covid-19.

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

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

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

Received purchase order from Nikola Corporation

Received a purchase order from Nikola, for 85 megawatt alkaline electrolysers related to the deployment of the world's first 8 ton/day hydrogen fueling stations. The purchase order has a value in excess of USD 30 million. This purchase order will support Nikola's five initial stations with

8 ton per day hydrogen production capacity. The remaining equipment will be covered by a separate purchase order that is expected when Nikola has firmed up exact station locations.

Received purchase order for a containerised MW-scale PEM electrolyser

Received purchase order for a containerized 2.5 megawatt Proton PEM® electrolyser from a customer in Europe.

Subsequent events:

On July 2, Nel was awarded a NOK 16 million grant from the Research Council of Norway for a research project which seeks to further improve the efficiency and cost of next generation, pressurised alkaline electrolyser platform

On July 27, Nel was awarded a USD 4.4 million grant by the Department of Energy (DOE) for development of advanced components and manufacturing methods to enable low cost hydrogen from electrolysis

Nel Hydrogen Fueling

Nel Hydrogen Fueling reported revenues of NOK 79.3 million in the second quarter 2020, a growth of 37% from NOK 58.0 million in the same quarter 2019.

EBITDA was NOK -13.2 million in the second quarter of 2020 compared to NOK -46.5 million in the same quarter in 2019. Second quarter 2019 included a provision for the Kjørbo incident of NOK 33 million. The impact of increased revenues in second quarter 2020 was partly off-set by ramp-up activities in South Korea and US as well the general Covid-19 situation which had a negative impact on EBITDA.

Received purchase order from Hydrogen Energy Network Co., Ltd. (HyNet)

Received purchase order from HyNet for three additional H2Station® hydrogen fueling stations in South Korea

Received purchase order from a large international company

Received purchase order for multiple H2Station™ units from a large international company with a value of NOK 150 million

Corporate developments

Completed subsequent offering with NOK 126.8 million in gross proceeds

On April 8, Nel raised NOK 126.8 million in gross proceeds through a subsequent offering of 13.35 million new shares, at a price per share of NOK 9.50.

Completed private placement with NOK 1 300.0 million in gross proceeds

On June 15, Nel raised approximately NOK 1 300.0 million in gross proceeds through a private placement of 70.46 million new shares at a price per share of NOK 18.45.

Finance

<i>(unaudited amounts in NOK thousands)</i>	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Finance income					
Interest income	2 495	2 045	6 633	3 312	9 515
Change in fair value equity instruments	675 620	0	684 247	0	1 771
Other	23 375	2 511	23 536	3 594	1 357
Interest income and other finance income	701 490	4 556	714 416	6 906	12 643
Finance costs					
Interest expense	-2 429	-1 194	-4 910	-2 184	-5 922
Net foreign exchange gain (loss)	-33 980	-3 045	36 668	-3 312	-1 351
Capitalised interest	1 237	0	2 503	0	1 207
Other	61	-3 201	-249	-4 085	-435
Interest expense and net foreign exchange gain (loss)	-35 111	-7 440	34 012	-9 581	-6 501
Net finance income (cost)	666 379	-2 884	748 428	-2 674	6 142

Nel reported finance income of NOK 701.5 in the second quarter 2020. The increase in finance income compared with second quarter 2019 is mainly due to a change in fair value of Nel's shareholding in Nikola Corporation of NOK 675.6 million based on quoted prices in an active market after the listing of Nikola on Nasdaq on June 4, 2020. The Nikola shares are subject to a lock-up expiring on November 30, 2020. In addition, Nel has recognised a reversal of a provision for an expected credit loss on a long-term loan to a joint venture of NOK 22.4 million.

Second quarter also include NOK 32.2 in unrealised currency exchange loss resulting from revaluing internal loans.

First half of 2020

Nel reported net finance income in the first half of 2020 of NOK 666.4 million (1H 2019: -2.7 million). The variance from net finance cost in the prior year is mainly explained by the unrealised gain on the shareholding in Nikola Corporation and the reversal of the loan provision described under the second quarter development. In the first half 2020 Nel has also recognised an unrealized currency gain on the revaluation of internal loans compared to a small unrealised loss in the first half 2019.

Risks and uncertainty factors

Nel is exposed to risk and uncertainty factors, which may affect some or all of the group's activities. Nel is exposed to financial, market and operational risk. In addition, there is risk related to technology, implementation and execution of current and future products. The Covid-19 pandemic introduces new specific risks in addition to generating uncertainty which increase all risks. There are no significant changes in the risks and uncertainty factors described in our Annual Report for 2019.

Outlook

Covid-19

The global outbreak of Covid-19 is expected to continue to cause disruptions in Nel's operations and financial performance as "stay home – stay safe" policies and the general business slowdown impacts production, order intake, customer dialogue, installations, additional costs from HSE measures and commissioning and associated revenue recognition.

Nel remains committed to its strategy and has since 2019 taken on additional employees and costs to prepare for future growth. The revenue shortfall and business disruptions caused by Covid-19 have impacted and will continue to impact financial results negatively throughout 2020:

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

Core business outlook

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

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

- To maintain and strengthen its leading position in a growing market, Nel will accelerate investments in organisation and technology.
- The hydrogen market is expected to grow significantly, and renewable hydrogen, often referred to as *green hydrogen*, is on a trajectory to outcompete fossil hydrogen as well as fossil fuels.
- There is an increased adoption of industrial hydrogen applications with significant overall potential. In addition, there is a strong momentum within mobility, and especially for heavy duty applications such as trucks and buses. Renewable hydrogen as a future fuel alternative will facilitate zero emission from production to use.
- Nel targets to maintain its current leading position in the electrolysis sector, continuing to develop both PEM and alkaline technologies to satisfy specific customer needs and preferences.
- As markets in which Nel operates are developing towards larger scale, it is increasingly important to be a financially strong counterpart, especially for larger contracts.
- Ongoing growth initiatives and ramp-up costs are expected to have a negative EBITDA impact in 2020.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of interim consolidated financial statements for the first half of 2020, which have been prepared in accordance with IAS 34 Interim Reporting, give a true and fair view of the company's assets, liabilities, financial

position and results of operation, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 26 August 2020

The Board of Directors

Ole Enger

Chair

(Sign)

Beatriz Malo de Molina

Board member

(Sign)

Charlotta Falvin

Board member

(Sign)

Finn Jebsen

Board member

(Sign)

Hanne Blume

Board member

(Sign)

Tom Røtjær

Board member

(Sign)

Jon André Løkke

CEO

(Sign)

Condensed interim financial statements

Consolidated statement of comprehensive income (unaudited)

<i>(amounts in NOK thousands)</i>	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Revenue and operating Income						
Revenue from contracts with customers		137 591	116 208	254 373	230 045	519 050
Other operating income		10 964	6 334	20 709	14 902	50 657
Total revenue and operating income	3	148 555	122 542	275 082	244 947	569 707
Operating expenses						
Cost of goods sold		86 895	68 673	163 192	144 531	342 374
Personnel expenses		79 437	58 368	155 942	111 872	243 194
Depreciation and amortisation	4, 5	23 355	18 098	45 707	35 290	75 500
Other operating expenses		30 895	68 131	69 182	96 007	162 234
Total operating expenses		220 582	213 270	434 023	387 700	823 302
Operating loss		-72 026	-90 728	-158 941	-142 752	-253 595
Finance income						
Finance income		701 490	1 511	714 416	3 594	12 643
Finance cost						
Finance cost		-35 111	-4 395	34 012	-6 269	-6 501
Share of loss from associates and joint ventures		-25	-1 073	-399	-2 441	-29 786
Net financial items		666 354	-3 957	748 029	-5 116	-23 643
Pre-tax income (loss)		594 328	-94 685	589 088	-147 868	-277 238
Tax expense (income)		-2 108	-1 854	-4 117	-3 696	-7 529
Net income (loss)		596 436	-92 831	593 205	-144 172	-269 710
Items that are or may subsequently be reclassified to income statement:						
Currency translation differences		-49 823	-1 900	82 242	-19 789	3 137
Cash flow hedges, effective portion of changes in fair value		-1 235	-179	-7 825	-814	-2 388
Cash flow hedges, reclassified to income statement		-1 695	262	4 661	385	1 602
Other comprehensive income		-52 753	-1 816	79 079	-20 217	2 350
Total comprehensive income		543 684	-94 648	672 284	-164 389	-267 359
Basic EPS (figures in NOK) ¹⁾						
Basic EPS (figures in NOK) ¹⁾		0.45	-0.08	0.45	-0.12	-0.22
Diluted EPS (figures in NOK) ¹⁾						
Diluted EPS (figures in NOK) ¹⁾		0.44	-0.08	0.44	-0.12	-0.22
Weighted average number of outstanding shares (million)						
Weighted average number of outstanding shares (million)		1 325	1 213	1 308	1 194	1 211

1) Basic and diluted earnings per share are computed using the weighted average number of ordinary shares outstanding.

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

Consolidated statement of financial position (unaudited)

<i>(amounts in NOK thousands)</i>	Note	30.06.2020	31.12.2019
ASSETS			
Intangible assets	4	1 236 362	1 118 075
Property, plant and equipment	5	310 048	256 170
Other non-current assets		44 426	66 089
Total non-current assets		1 590 836	1 440 334
Inventories		259 512	205 234
Trade receivables		154 444	183 333
Contract assets		46 588	37 103
Other current assets		835 886	38 688
Cash and cash equivalents		2 566 068	525 982
Total current assets		3 862 497	990 340
TOTAL ASSETS		5 453 333	2 430 673
EQUITY AND LIABILITIES			
Shareholders' equity		4 751 169	1 846 618
Total equity		4 751 169	1 846 618
Deferred tax liability		65 696	63 343
Long-term debt		32 688	30 577
Lease liabilities		80 295	79 121
Other non-current liabilities		101 013	70 373
Total non-current liabilities		279 693	243 414
Trade payables		75 090	92 197
Lease liabilities		13 158	12 066
Contract liabilities		149 519	147 481
Other current liabilities		184 705	88 898
Total current liabilities		422 471	340 641
Total liabilities		702 164	584 055
TOTAL EQUITY AND LIABILITIES		5 453 333	2 430 673

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

Consolidated statement of cash flows (unaudited)

<i>(amounts in NOK thousands)</i>	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Cash flow from operating activities					
Pre-tax income (loss)	594 328	-94 685	589 088	-147 868	-277 238
Depreciation and amortisation	23 355	18 097	45 707	35 289	75 500
Change in net working capital	-5 263	-41 130	12 110	-34 919	-71 637
Other adjustments ¹⁾	-666 479	35 994	-709 755	34 315	64 147
Net cash flow from operating activities	-54 060	-81 723	-62 849	-113 183	-209 228
Cash flow from investment activities					
Purchases of property, plant and equipment	-24 969	-7 218	-46 354	-18 354	-49 913
Payments for capitalised technology	-19 348	-15 215	-45 112	-25 215	-68 949
Purchases of other investments ²⁾	0	0	-56 638	0	0
Investments in other financial assets	0	0	-12 998	0	-7 849
Loan given to associates and joint ventures	0	-5 000	0	-5 000	-5 975
Investments in associates and joint ventures	-267	0	-267	0	-3 085
Sale of subsidiaries	0	0	0	0	1 653
Acquisition of subsidiaries, net of cash acquired	26 022	0	26 022	0	0
Net cash flow from investing activities	-18 562	-27 433	-135 347	-48 569	-134 118
Cash flow from financing activities					
Interest paid	-1 115	-1 789	-2 354	-1 949	-4 715
Interest received	2 884	1 978	7 021	3 443	9 515
Gross cash flow from share issues	1 444 825	69 815	2 291 838	532 555	545 984
Transaction costs connected to share issues	-39 850	-3 642	-68 102	-19 506	-20 426
Proceeds from new loan	16 395	0	16 395	0	0
Payment of lease liabilities	-2 720	-1 859	-5 276	-3 559	-8 163
Payment of non-current liabilities	-658	-926	-1 287	-1 356	-2 700
Net cash flow from financing activities	1 419 762	63 576	2 238 237	509 627	519 496
Foreign currency effects on cash	-2 430	15	45	28	86
Net change in cash and cash equivalents	1 344 710	-45 564	2 040 086	347 904	176 235
Cash and cash equivalents beginning of period	1 221 358	743 216	525 982	349 747	349 747
Cash and cash equivalents	2 566 068	697 651	2 566 068	697 651	525 982

- 1) Q2 2020 includes NOK 32.2 million in unrealised currency exchange loss related to internal loans and a positive fair value adjustment of the shareholding in Nikola Corporation of NOK 675.6 million (USD 67.53 per share as of June 30, 2020).
- 2) Purchases of other investments comprises bank deposits and advance payment guarantees with a maturity longer than three months at the date of purchase.

Consolidated statement of changes in equity (unaudited)

<i>(amounts in NOK thousands)</i>	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total equity
Equity as of 01.01.2019	222 710	1 585 570	-12	50 196	-279 486	1 578 978
Net loss				0	-269 710	-269 710
Currency translation differences				2 240		2 240
Hedging reserve				-786		-786
Capital increase	21 710	503 848				525 558
Options and share program			-2		6 312	6 310
Other changes					4 028	4 028
Equity as of 31.12.2019	244 421	2 089 418	-14	51 649	-538 855	1 846 618
Net loss					593 205	593 205
Currency translation differences				82 242		82 242
Hedging reserve				-3 163		-3 163
Capital increase	35 859	2 187 878				2 223 737
Options and share program					3 117	3 117
Other changes					5 414	5 414
Equity as of 30.06.2020	280 279	4 277 297	-14	130 727	62 880	4 751 169

Notes to the interim financial statements

Note 1 Organisation and basis for preparation

Corporate information

Nel is a global, dedicated hydrogen company, delivering optimal solutions to produce, store, and distribute hydrogen from renewable energy. We serve industries, energy, and gas companies with leading hydrogen technology. Our roots date back to 1927, and since then, we have had a proud history of development and continuous improvement of hydrogen technologies. Today, our solutions cover the entire 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 - without the emissions. The group has two divisions: Nel Hydrogen Electrolyser and Nel Hydrogen Fueling.

Nel (org. no 979 938 799) was formed in 1998 and is a Norwegian public limited company listed on the Oslo Stock Exchange. The group's head office is in Karenslyst allé 20, N-0278 Oslo, Norway. The condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 26 August 2020.

Basis for preparation

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). This financial information should be read together with the annual report for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those used in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2019.

As a result of rounding differences numbers or percentages may not add up to the total.

Note 2 Significant estimates, judgements and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

In the process of applying the group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the condensed interim financial statements:

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

The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to the annual report of 2019 for more details related to key judgements and estimation.

As a result of the outbreak of Covid-19 during the first half of 2020, all significant estimates and underlying assumptions have been reviewed in the light of this new situation. Nel has focused on the estimates related to expected credit loss on trade receivables and contract assets, reviewing credit risk and risk of default including the loss given default. Nel has not identified any significant Covid-19 related impact to these condensed consolidated financial statements as of 30 June 2020.

Note 3 Segments

Nel identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Nel to identify its segments according to the organisation and reporting structure used by management. See Nel's Annual Report 2019 note 3 Business segments information for a description of Nel's management model and segments, including a description of Nel's segment measures and accounting principles used for segment reporting.

The executive management group is the chief operating decision maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Nel operates within two business segments, Nel Hydrogen Electrolyser and Nel Hydrogen Fueling. For more information on the segments operation, see section 'Nel in brief' on page 6-7.

The executive management group is the chief operating decision maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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

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

<i>(amounts in NOK thousands)</i>	Q2 2020	Q2 2019	Change	Q1-Q2 2020	Q1-Q2 2019	Change
Revenue and operating income						
Nel Hydrogen Electrolyser	69 215	64 541	7%	140 149	132 396	6%
Nel Hydrogen Fueling	79 340	58 001	37%	134 933	112 551	20%
Total	148 555	122 542	21%	275 082	244 947	12%
EBITDA						
Nel Hydrogen Electrolyser	-20 316	-12 801		-44 519	-21 827	
Nel Hydrogen Fueling	-13 159	-46 543		-39 413	-61 211	
Other and eliminations*	-15 197	-13 285		-29 301	-24 424	
Total	-48 672	-72 630		-113 234	-107 463	
Investments**						
Nel Hydrogen Electrolyser	30 221	14 402	110%	64 579	30 132	114%
Nel Hydrogen Fueling	14 096	13 030	8%	39 885	18 437	116%
Total	44 317	27 433	62%	104 464	48 569	115%
Total assets***						
Nel Hydrogen Electrolyser	1 311 149	980 341	34%			
Nel Hydrogen Fueling	949 125	705 437	35%			
Other and eliminations*	3 193 060	734 139	335%			
Total	5 453 333	2 419 917	125%			

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

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

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

<i>Property, Plant and Equipment by geographical area (amounts in NOK thousands)</i>	30.06.2020	30.06.2019	Full year 2019
Norway	144 108	43 535	113 167
Denmark	112 506	87 613	93 589
USA	50 323	46 832	47 332
South Korea	3 112	444	2 082
Total	310 048	178 424	256 170

Note 4 Intangible assets

<i>(amounts in NOK thousands)</i>	Goodwill	Technology	Customer relationship	Total
Carrying amount of 01.01.2020	609 154	451 736	57 185	1 118 075
Additions	0	45 112	0	45 112
Amortisation	0	-23 614	-6 735	-30 349
Currency translation differences	60 089	38 876	4 559	103 524
Carrying amount as of 30.06.2020	669 243	512 109	55 009	1 236 362

Intangible assets are reviewed each quarter for impairment indicators, including market changes, technological development, order backlog and other changes that might potentially reduce the value of the assets. For goodwill, impairment tests are performed annually at year-end, and if impairment indicators are identified. The Covid-19 situation is not itself an impairment trigger as of now. Should the current situation develop into a sustained economic downturn, Nel may need to write down assets as impaired.

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

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

Note 5 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets

<i>(amounts in NOK thousands)</i>	Land, buildings and equipment	Right-of-use assets	Total
Carrying amount as of 01.01.2020	171 829	84 341	256 170
Additions	48 857	1 260	50 118
Remeasurements	0	114	114
Depreciation	-8 133	-7 225	-15 359
Currency translation differences	15 870	3 134	19 004
Carrying amount as of 30.06.2020	228 423	81 624	310 048

Note 6 Acquisition of subsidiary

During the quarter Nel acquired H2 Fuel Norway AS (former Uno-X Hydrogen AS) in a step acquisition. Nel held 39 % of the shares prior to obtaining control. After the transaction Nel owns 100 % of H2 Fuel Norway AS (H2 Fuel).

Settlement of pre-existing relationship

Nel and H2 Fuel were parties to a long-term supply contract under which Nel supplied H2 Fuel with hydrogen fueling stations at a fixed price. This contract was terminated when Nel acquired H2 Fuel, and consequently Nel has settled the previously recognised contract liability of NOK 9.6 million and included the amount in 'revenue from contracts with customers'.

The transaction results in a reversal of a provision for expected credit losses on a long-term loan to the joint venture of NOK 22.4 million. The gain is recognised within 'finance income' in the quarter.

Note 7 Equity instruments – Nikola Corporation

<i>(amounts in thousands)</i>	Shareholding, number of shares*	USD/per share	USD value**	USD/NOK	Book value NOK
Carrying amount as of 01.01.2019	582 073	8.59	5 000	8.43	42 131
Fair value adjustment 2019	0	0.00		0.35	1 771
Carrying amount as of 01.01.2020	582 073	8.59	5 000	8.78	43 902
Fair value adjustment Q1 2020	0	0.00		1.73	8 627
Fair value adjustment Q2 2020	524 447	58.94		-0.76	675 620
Carrying amount as of 30.06.2020	1 106 520	67.53	74 723	9.74	728 149

*Nel received 1.901 shares in Nikola Corporation per share in Nikola Motor Company Inc. as share consideration following the listing of Nikola on Nasdaq on June 4, 2020

**Acquisition cost of USD 5.0 million.

The shareholding in Nikola Corporation is subject to a lock-up expiring on November 30.

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 as 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 monitoring operating performance and 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.

Nel's financial APMs

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

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

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info@nelhydrogen.com
+47 23 24 89 50

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

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nelhydrogen.com