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Nel ASA

Q3 2020 interim report

Highlights of the quarter

- Nel ASA (Nel) reported revenue and operating income in the third quarter 2020 of NOK 147.7 million, in line with the third quarter 2019 (Q3 2019: 148.9)
- 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 938.5 million at the end of the quarter, up 63% from the end of third quarter 2019 (down 9% compared to the end of second quarter 2020)
- EBITDA of NOK -42.1 million (Q3 2019: -28.9)
- Operating loss of NOK -116.3 million (Q3 2019: -48.4) and a pre-tax loss of NOK -628.6 million (Q3 2019: -34.3), mainly related to a negative fair value adjustment of the shareholding in Nikola Corporation of NOK -513.3 million
- Cash balance of NOK 2 543.6 million (Q3 2019: 651.0)
- 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
- Awarded a USD 4.4. million grant by the US Department of Energy (DOE) for development of advanced components and manufacturing methods to enable low cost hydrogen from electrolysis

Subsequent events

- On October 5, Nel received a purchase order for an H2Station™ from Everfuel with a value of around EUR 1.6 million.
- On October 21, Everfuel, an associate of Nel, successfully completed a private placement of NOK 290.4 million and was subsequently listed on Merkur Market on October 29
- On October 22, Nel received a purchase order for a 1.25 MW containerized PEM electrolyser from NREL with a value of about USD 2 million
- On October 30, Nel announced a Letter of Intent with Statkraft to supply up to 50 MW of alkaline electrolyser capacity for a fossil free steel project in Norway
- On November 3, Nel was selected by Iberdrola as the preferred supplier for a 20 MW PEM solution for a green fertilizer project in Spain

Key figures

<i>(unaudited amounts in NOK million)</i>	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Revenue and operating income	147.7	148.9	422.8	393.9	569.7
Operating expenses	264.0	197.3	698.0	585.0	823.3
EBITDA ¹⁾	-42.1	-28.9	-155.3	-136.3	-178.1
Operating loss ¹⁾	-116.3	-48.4	-275.2	-191.2	-253.6
Pre-tax income (loss) ²⁾	-628.6	-34.3	-39.6	-182.1	-277.2
Net income (loss) ²⁾	-626.7	-32.4	-33.5	-176.5	-269.7
Net cash flow from operating activities	-69.4	-31.2	-132.3	-144.3	-209.2
Cash balance end of period	2 543.6	651.0	2 543.6	651.0	526.0

1) The effect of the Rotolyzer® impairment and amortisation of received grants has negatively impacted operating loss by NOK -19.3 million and positively impacted EBITDA by NOK 18.7 million, respectively, in Q3 2020

2) Q3 2020 includes a negative fair value adjustment of the shareholding in Nikola Corporation of NOK -513.3 million (a value of USD 20.48 per share as of September 30, 2020). The fair value adjustment was NOK 0 in the third quarter 2019. A 10 USD increase/reduction in the share price of Nikola Corporation will lead to gains/losses of about MNOK 100.0 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 slowdown 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 third quarter 2020 of NOK 147.7 million (148.9), following a development in the Fueling and Electrolyser segment of 21.8% and -17.1%, 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, both from the portion of revenues that are recognised at delivery or when commissioning is completed and from shorter lead time orders (smaller units and service).

At the end of the third quarter 2020, Nel had an order backlog of NOK 938.5 million, up from NOK 575.0 million a year earlier. Order intake is expected to vary between quarters as the order size increases.

Cost of goods sold (COGS) has decreased with 4.4% from third quarter 2019. The decreased COGS is related to the 18.6% decrease in revenue from contracts with customers and is also affected by increased costs from project execution in the Fueling and Electrolyser divisions.

Personnel expenses increased by 26.2% compared to the same quarter in 2020, which is explained by a higher number of employees, up from 297 employees by the end of third quarter 2019 to 376 at the end of third quarter 2020. Other

operating expenses decreased by 1.9%. The high level of personnel and other operating costs 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 0.3 million (2.3) in the quarter.

EBITDA ended at NOK -42.1 million (-28.9), while the EBITDA margin was -28.5% (-19.4%).

Depreciation, amortisation and impairment were NOK 74.2 million (19.5) in the quarter. The increase was driven by the NOK 38.0 million RotoLyzer® impairment.

Operating loss amounted to NOK -116.3 million (-48.4) in the period.

Net financial items amounted to a loss of NOK -512.4 million (14.1) and was driven by a negative fair value adjustment of the shareholding in Nikola Corporation of NOK 513.3 million (a value of USD 20.48 per share as of September 30, 2020).

Pre-tax loss was NOK -628.6 million (-34.3) in the quarter and the net loss was NOK -626.7 million, compared to a loss of NOK -32.4 million in the same quarter 2019.

Comprehensive income is negative with NOK -618.6 million (7.2). There was a positive currency translation difference, net of tax, of NOK 1.3 million in the quarter (42.3) related to converting statement of financial position from subsidiaries in USD and DKK into NOK using a higher currency rate than in the previous quarter.

Total assets were NOK 4 859.5 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 4 221.6 million, thus, the equity ratio was 86.9%.

Net cash flow from operating activities in the quarter was NOK -69.4 million, compared to NOK -31.2 million in the third quarter in 2019. The development is mainly due to higher personnel and operating expenses. Net cash flow from investing activities was NOK -44.7 million (-26.4).

Nel's cash balance at the end of third quarter 2020 was NOK 2 543.6 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.

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 green hydrogen production 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, offering both alkaline and PEM (proton exchange membrane) technology globally. The company'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, Nel's electrolyser technology has improved continuously, delivered across the world, and has set the industry standard for performance and total cost of ownership.

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 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. The electrolyser 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 a complete product portfolio of both alkaline and PEM electrolysers and is also 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, more than 12 times current capacity. The capacity at the new plant can be further expanded to beyond 2 GW/year. The Herøya plant will be highly automated and significant production cost reductions are expected. These cost reductions 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, Nel aims to replace the various fossil solutions for hydrogen production on which the world currently relies.

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, Nel's 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 a capacity of 300 H2Station™ modules 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. Increased activities in the heavy-duty segment (buses, trucks etc.) 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 revenue and operating income of NOK 71.8 million in the third quarter of 2020, a decrease of 17% from NOK 86.6 million in the same quarter 2019. Norway has an increase of 224% from higher sales of alkaline electrolysers and amortisation of grants, while the US has a decrease of 49% from sales of PEM electrolysers. Nel Hydrogen Electrolyser has been particularly negatively impacted by the general business slow down and delay in closing orders resulting from Covid-19.

EBITDA was NOK -16.4 million in the third quarter of 2020, positively impacted by NOK 18.7 million amortisation of earlier received technology development grants, but overall a decrease from NOK -5.1 million in the same quarter in 2019. The reduction of NOK 11.3 million was mainly due to higher costs levels and somewhat lower margins in Norway and US as well as a general negative impact on operations due to Covid-19.

Employees in Nel Hydrogen Electrolyser has increased from 147 employees by the end of third quarter 2019 to 176 at the end of third quarter 2020, driven by increase in project and production personnel.

Update on the RotoLyzer® technology

Nel continues to develop step-change enabling technologies and products, as well as improving current platforms and investigating several different types of products with the ambition to provide a superior value proposition to its customers. As a result, the RotoLyzer® development activity has been reduced and in the short-term. Instead Nel is prioritising other research and development projects. This has increased the uncertainty of the timing of future

commercialisation of the RotoLyzer® product. Nel will continue to develop the RotoLyzer® at a slower pace to further assess the commercial feasibility, and due to the increased timing uncertainty, Nel has recognised an impairment of NOK 38.0 million this quarter.

Nel has previously received NOK 18.7 million in government grants for the RotoLyzer® technology previously recognised as deferred income. The income is amortised over the useful life of the related assets, thus, Nel has recognised the entire NOK 18.7 million within 'other operating income' this quarter.

Nel awarded grant for further cost and efficiency improvements of next generation alkaline electrolyser

Nel has been awarded a NOK 16.0 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

Nel awarded grant to develop a novel electrolyser stack to enable lower cost hydrogen generation

Nel has been awarded a USD 4.4 million grant by the US Department of Energy (DOE) for development of advanced components and manufacturing methods to enable low cost hydrogen from electrolysis

Subsequent events:

On October 22, Nel received a purchase order with a value of about USD 2 million for a 1.25 megawatt (MW) containerised Proton PEM® electrolyser from the National Renewable Energy Laboratory (NREL). The electrolyser will be used use in the U.S. Department of Energy-supported AIREs research initiative at the NREL campus in Boulder, CO.

On October 30, Nel announced a Letter of Intent with Statkraft to supply up to 50 MW of alkaline electrolyser capacity for a fossil free steel project in Norway. The green hydrogen produced by the plant will be used in a production process of steel reinforcing products as an alternative to fossil fuels, and hence lower the carbon footprint of the process.

On November 3, Nel was selected by Iberdrola as the preferred supplier for a 20 MW PEM solution for a green fertilizer project in Spain. Contract award is subject to mutual agreement on the final commercial terms. The hydrogen plant is scheduled to commence operations in 2021.

Nel Hydrogen Fueling

Nel Hydrogen Fueling reported revenue and operating income of NOK 75.9 million in the third quarter 2020, a growth of 22% from NOK 62.3 million in the same quarter 2019.

EBITDA of NOK -13.8 million in the third quarter of 2020 has decreased from NOK -11.6 million in the same quarter in 2019.

Nel Hydrogen Fueling has seen a large increase in the utilisation of many of the stations already installed, this enables accelerated learnings and improvements in both within product maturity and overall reliability. Fueling a hydrogen car needs to be as easy and reliable as fueling a gasoline or diesel vehicle. A hydrogen fueling station is a complex and relatively new technology and the hydrogen industry, incl. Nel, still has some way to go in maturing the technology as well as investing in service and maintenance, robustness and reliability. Nel will continue to incur costs related to these activities. In addition, the third quarter 2020 has been negatively impacted in general by the Covid-19 situation.

Employees in Nel Hydrogen Fueling has increased from 141 employees by the end of third quarter 2019 to 186 at the end of third quarter 2020, driven by increase in service technicians and development personnel.

Subsequent events:

On October 5, Nel received a purchase order from Everfuel Europe A/S (Everfuel) for an H2Station™ hydrogen fueling station which will be used to fuel zero emission hydrogen buses in the Netherlands. The value of the purchase order is around EUR 1.6 million, and the station is scheduled to be operational by the end of 2021.

Corporate developments

Completed exercise of employee share options

Nel issued 6.05 million new shares through the exercise of employee share options during the quarter. The options were exercised at an average strike price per share of NOK 3.23. Obtained selling price was NOK 20.8, and as maximum gain for employees is NOK 5.0 per share option, Nel raised NOK 86.6 million in gross proceeds and added 391 147 shares to Nel's holding of treasury shares.

Subsequent events:

On October 21, Everfuel successfully completed a private placement issuing 13 200 000 new shares at a price of NOK 22 per share. Total number of issued shares after the transaction is 73 200 000 valuing Everfuel at NOK 1 610.4 million at the offer price. Everfuel was subsequently listed on Merkur Markets on October 29. Nel has been allocated 398 624 shares at a price of NOK 22 per share and a total purchase price of NOK 8.8 million. Nel has, subsequent to the private placement, a shareholding of 12 338 624 shares, or 16.86%.

Finance

<i>(unaudited amounts in NOK thousands)</i>	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Finance income					
Interest income	3 642	2 679	10 275	5 991	9 515
Change in fair value equity instruments	-513 286	0	170 962	0	1 771
Other	-743	57	22 793	146	1 357
Interest income and other finance income (loss)	-510 386	2 736	204 030	6 137	12 643
Finance costs					
Interest expense	-2 283	-974	-7 193	-3 158	-5 922
Net foreign exchange gain (loss)	-425	13 375	36 243	9 701	-1 351
Capitalised interest	1 297	0	3 800	0	1 207
Other	48	-124	-201	-341	-435
Interest expense and net foreign exchange gain (loss)	-1 363	12 277	32 649	6 203	-6 500
Net finance income (cost)	-511 749	15 014	236 679	12 339	6 142

Nel reported finance income of NOK -510.4 million in the third quarter 2020. The decrease in finance income compared with third quarter 2019 is mainly due to a change in fair value of Nel's shareholding in Nikola Corporation of NOK 513.3 million (a value of USD 20.48 per share as of September 30, 2020). The fair value adjustment was NOK 0 in the third quarter 2019. The Nikola shares are subject to a lock-up expiring on November 30, 2020.

Finance costs in third quarter 2020 was NOK -1.4 million compared to 12.3 million in third quarter 2019. Third quarter 2020 include NOK -1.5 (13.6) million in unrealised currency exchange gain (loss) resulting from revaluing internal loans.

Risks and uncertainty factors

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

Outlook

Covid-19

The global outbreak of Covid-19 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 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 into 2021:

- 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

Subsequent events:

Nel has implemented and enforced strict Covid-19 measures to ensure the safety for employees and partners across locations. In October 2020, a

Covid-19 situation was recorded at Notodden, Norway, with the deployment of contingency plans in close cooperation with local healthcare and administrative authorities. Affected individuals were quarantined, and the situation is normalized primo November 2020.

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 into 2021.

Oslo, 5 November 2020

The Board of Directors

Ole Enger

Chair

(Sign)

Beatriz Malo de Molina

Board member

(Sign)

Charlotta Falvin

Board member

(Sign)

Finn Jepsen

Board member

(Sign)

Hanne Blume

Board member

(Sign)

Tom Røtjer

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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Revenue and operating Income						
Revenue from contracts with customers		118 501	145 549	372 874	375 595	519 050
Other operating income		29 217	3 359	49 926	18 261	50 657
Total revenue and operating income	3	147 718	148 908	422 800	393 855	569 707
Operating expenses						
Cost of goods sold		81 162	84 931	244 354	229 463	342 374
Personnel expenses		78 670	62 340	234 612	174 212	243 194
Depreciation, amortisation and impairment	4, 5	74 185	19 523	119 892	54 812	75 500
Other operating expenses		29 957	30 523	99 138	126 530	162 234
Total operating expenses		263 973	197 317	697 996	585 017	823 302
Operating loss		-116 255	-48 409	-275 196	-191 161	-253 595
Finance income						
Finance income		-510 386	2 736	204 030	6 137	12 643
Finance cost		-1 363	12 277	32 649	6 203	-6 500
Share of loss from associates and joint ventures		-637	-866	-1 036	-3 307	-29 786
Net financial items		-512 386	14 148	235 643	9 032	-23 643
Pre-tax income (loss)		-628 641	-34 261	-39 553	-182 129	-277 238
Tax expense (income)		-1 951	-1 893	-6 067	-5 589	-7 529
Net income (loss)		-626 690	-32 368	-33 485	-176 540	-269 710
Items that are or may subsequently be reclassified to income statement:						
Currency translation differences		1 307	42 288	83 549	21 602	2 240
Cash flow hedges, effective portion of changes in fair value		8 454	-3 157	630	-3 971	-2 388
Cash flow hedges, reclassified to income statement		-1 667	459	2 994	844	1 602
Other comprehensive income		8 094	39 589	87 173	18 475	1 453
Total comprehensive income		-618 596	7 221	53 687	-158 065	-268 256
Basic EPS (figures in NOK) 1)						
Basic EPS (figures in NOK) 1)		-0.47	-0.03	-0.02	-0.15	-0.22
Diluted EPS (figures in NOK) 1)						
Diluted EPS (figures in NOK) 1)		-0.47	-0.03	-0.02	-0.15	-0.22
Weighted average number of outstanding shares (million)						
Weighted average number of outstanding shares (million)		1 327	1 218	1 314	1 199	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	30.09.2020	31.12.2019
ASSETS			
Intangible assets	4	1 197 047	1 118 075
Property, plant and equipment	5	322 216	256 170
Other non-current assets		45 799	66 089
Total non-current assets		1 565 061	1 440 334
Inventories		284 512	205 234
Trade receivables		91 758	183 333
Contract assets		52 717	37 103
Other current assets		321 839	38 688
Cash and cash equivalents		2 543 616	525 982
Total current assets		3 294 442	990 340
TOTAL ASSETS		4 859 503	2 430 673
EQUITY AND LIABILITIES			
Shareholders' equity		4 221 565	1 846 618
Total equity		4 221 565	1 846 618
Deferred tax liability		63 746	63 343
Long-term debt		32 682	30 577
Lease liabilities		78 484	79 121
Other non-current liabilities		76 285	70 605
Total non-current liabilities		251 197	243 646
Trade payables		66 821	92 197
Lease liabilities		13 179	12 066
Contract liabilities		177 984	147 481
Other current liabilities		128 756	88 666
Total current liabilities		386 741	340 409
Total liabilities		637 938	584 055
TOTAL EQUITY AND LIABILITIES		4 859 503	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>	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Cash flow from operating activities					
Pre-tax income (loss)	-628 641	-34 261	-39 553	-182 129	-277 238
Depreciation, amortisation and impairment	74 185	19 523	119 892	54 812	75 500
Change in net working capital	-4 159	-15 719	7 951	-50 638	-71 637
Other adjustments ¹⁾	489 178	-709	-220 577	33 606	64 147
Net cash flow from operating activities	-69 437	-31 166	-132 287	-144 348	-209 228
Cash flow from investment activities					
Purchases of property, plant and equipment	-29 555	-6 953	-75 909	-25 307	-49 913
Payments for capitalised technology	-14 797	-11 580	-59 909	-36 795	-68 949
Purchases of other investments ²⁾	0	0	-56 638	0	0
Investments in other financial assets	0	-7 849	-12 998	-7 849	-7 849
Loan given to associates and joint ventures	0	0	0	-5 000	-5 975
Investments in associates and joint ventures	-300	0	-567	0	-3 085
Sale of subsidiaries	0	0	0	0	1 653
Acquisition of subsidiaries, net of cash acquired	0	0	26 022	0	0
Net cash flow from investing activities	-44 652	-26 382	-179 998	-74 950	-134 118
Cash flow from financing activities					
Interest paid	-1 036	-1 104	-3 390	-3 053	-4 715
Interest received	3 297	2 806	10 319	6 249	9 515
Gross cash flow from share issues	86 574	12 387	2 378 413	544 942	545 984
Transaction costs connected to share issues	-164	-818	-68 266	-20 324	-20 426
Proceeds from new loan	0	0	16 395	0	0
Payment of lease liabilities	-2 616	-2 165	-7 891	-5 724	-8 163
Payment of non-current liabilities	-451	-256	-1 738	-1 612	-2 700
Net cash flow from financing activities	85 604	10 850	2 323 841	520 477	519 496
Foreign currency effects on cash	6 033	7	6 078	35	86
Net change in cash and cash equivalents	-22 451	-46 691	2 017 635	301 213	176 235
Cash and cash equivalents beginning of period	2 566 068	697 651	525 982	349 747	349 747
Cash and cash equivalents	2 543 616	650 960	2 543 616	650 960	525 982

1) Q3 2020 includes a negative fair value adjustment of the shareholding in Nikola Corporation of NOK 513.3 million (USD 20.48 per share as of September 30, 2020). The fair value adjustment was NOK 0 in Q3 2019.

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					-33 485	-33 485
Currency translation differences				83 549		83 549
Hedging reserve				3 624		3 624
Capital increase	37 068	2 273 078				2 310 147
Options and share program		65	-65		5 604	5 604
Other changes					5 509	5 509
Equity as of 30.09.2020	281 489	4 362 562	-79	138 822	-561 227	4 221 565

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 5 November 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
- 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 September 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 (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Nel operates within two business segments, Nel Hydrogen Electrolyser and Nel Hydrogen Fueling. For more information on the segments operation, see section 'Nel in brief' on pages 6-7.

Billing of goods and services between operating segments are effected on an arm's length basis.

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

<i>(amounts in NOK thousands)</i>	Q3 2020	Q3 2019	Change	Q1-Q3 2020	Q1-Q3 2019	Change
Revenue and operating income						
Nel Hydrogen Electrolyser	71 773	86 573	-17%	211 922	218 969	-3%
Nel Hydrogen Fueling	75 945	62 335	22%	210 878	174 886	21%
Total	147 718	148 908	-1%	422 800	393 855	7%
EBITDA						
Nel Hydrogen Electrolyser	-16 441	-5 064		-60 961	-26 891	
Nel Hydrogen Fueling	-13 846	-11 614		-53 259	-72 826	
Other and eliminations ¹⁾	-11 784	-12 208		-41 084	-36 632	
Total	-42 070	-28 886		-155 304	-136 349	
Investments²⁾						
Nel Hydrogen Electrolyser	34 439	12 488	176%	99 018	42 620	132%
Nel Hydrogen Fueling	9 912	13 893	-29%	49 797	32 330	54%
Total	44 352	26 382	68%	148 816	74 950	99%
Total assets³⁾						
Nel Hydrogen Electrolyser	1 309 788	1 079 310	21%			
Nel Hydrogen Fueling	1 022 316	751 378	36%			
Other and eliminations ¹⁾	2 527 399	663 208	281%			
Total	4 859 503	2 493 895	95%			

1) Other and eliminations comprises parent company and elimination of intercompany transactions.

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

3) 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</i>				Full year	
<i>(amounts in NOK thousands)</i>	30.09.2020	30.09.2019	Change	2019	Change
Norway	150 937	49 767	203%	113 167	33%
Denmark	116 702	89 272	31%	93 589	25%
USA	50 904	48 060	6%	47 332	8%
South Korea	3 672	2 332	57%	2 082	76%
Total	322 216	189 431	70%	256 170	26%

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	59 909	0	59 909
Amortisation	0	-36 347	-9 943	-46 291
Impairment	0	-38 386	0	-38 386
Currency translation differences	59 953	39 227	4 559	103 740
Carrying amount as of 30.09.2020	669 108	476 138	51 801	1 197 047

An impairment expense of NOK 38.4 million has been recognised in the quarter which includes impairment of the RotoLyzer® technology of NOK 38.0 million and consequently the recognised value of the RotoLyzer® technology is NOK 0 in the statement of financial position. Nel continues to develop the RotoLyzer® to further assess the commercial feasibility. However as there is increased uncertainty in the timeline for completing the RotoLyzer®, Nel has recognised an impairment expense even as the development continues.

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.

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 its value in use, an impairment loss will be recognised.

Impairment tests are 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	79 709	1 244	80 953
Remeasurements	0	674	674
Depreciation	-11 726	-10 682	-22 408
Impairment	-12 807	0	-12 807
Currency translation differences	17 367	2 267	19 634
Carrying amount as of 30.09.2020	244 372	77 844	322 216

Note 6 Equity instruments

Nikola Corporation

<i>(amounts in thousands)</i>	Shareholding ¹⁾	USD/per share	USD value ²⁾	USD/NOK	Book value
Carrying amount as of 01.01.2019 ²⁾	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
Fair value adjustment Q3 2020	0	-47.05		-0.26	-513 286
Carrying amount as of 30.09.2020	1 106 520	20.48	22 662	9.48	214 863

- 1) 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
- 2) Acquisition cost of USD 5.0 million.

Subsequent event - Everfuel

<i>(amounts in thousands)</i>	Shareholding	NOK/per share	Value
Carrying amount as of 30.09.2020	11 940 000	0.14	1 728
Fair value adjustment listing 21 October 2020	0	21.86	260 952
Private placement, allocation of shares at NOK 22 per share	398 624	0.00	8 770
Fair value at price per share in private placement 21 October 2020	12 338 624	22.00	271 450

- 1) As of 30. September 2020, Nel held 19.90 ownership in Everfuel (11 940 000 shares of 60 000 000). The investment is recognised as an equity-accounted investee with a book value of NOK 1.7 million within 'other non-current assets' in the Q3 2020 report.
- 2) On October 21, Everfuel successfully placed a private placement, issuing 13 200 000 new shares at a price of NOK 22 per share. Total shares after the transaction is 73 200 000 and Nel has a shareholding of 12 338 624 shares, or 16.86%. Subsequent to the listing of Everfuel shares, the equity instrument will be presented as 'current assets' in the statement of financial position and changes in fair value within 'finance income'.

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, tax, depreciation, amortisation and impairment. EBITDA corresponds to operating profit/(loss) plus depreciation, amortisation and impairment.

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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