number one by nature

2018 ANNUAL REPORT

nelhydrogen.com

Title:
Nel ASA

Published date:
24 April 2019

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 2018

Letter from the CEO

Dear fellow hydrogen enthusiast,

Solving the issues of global climate change is this generation's most important challenge. At the same time, this inspirational task represents major opportunities for a company like Nel. During 2018, we enjoyed working closely with customers, partners and other stakeholders, evolving our technology to support the energy transformation that the world needs for a greener future.

During 2018, the massive investments in renewable energy continued and the cost curve still points downwards. This is good news for hydrogen as a green and renewable tool and has contributed to a significant increase in hydrogen related initiatives across the globe, initiatives where renewable hydrogen is used as an energy carrier, as well as within a range of different mobility and industrial applications.

Many of these new markets are still at an early stage, but the potential is massive. Just one ammonia plant would require electrolyzer volumes many times higher than the entire electrolyzer market today. Ammonia production is one of these new market opportunities that fits our business model, providing technology for the production of renewable hydrogen. Nel will continue to place high priority on products and solutions that fit these new future markets.

We had several exciting announcements during 2018, and one of them truly underlines the new trends that we see in the market: The announced partnership with Nikola and CEO, Trevor Milton. Nel is very proud of this opportunity to deliver 1 GW of electrolyzers and related fueling station equipment. We look forward to our continued work with Nikola to develop the world's largest network of renewable hydrogen production and fueling sites.

While the market for light-duty vehicles is moving somewhat slower than expected, the market for heavy-duty applications is evolving rapidly. This is underlined by the two framework agreements that we signed with Shell and H2 Energy, respectively, working together with Toyota and Hyundai on hydrogen trucks.

Another announcement that underlined the market shift was the news that Yara and Nel together have been awarded a grant under the PILOT-E scheme for the development and realization of a green fertilizer project. We believe that we will see more initiatives where renewable hydrogen is used in large industry applications.

To accommodate the increased demand and to serve the future opportunities, we need to get production volumes up, unit costs down, and continue to invest in new technology. We are therefore preparing to expand our electrolyzer production capacity by building a highly automated production line that is designed according to lean manufacturing principles, with a capacity of approximately ten times the current annual production.

This low-cost production capability will help us to leverage on the many opportunities arising from the energy and mobility transition and it will help us to open new markets and address new applications. Our world-leading teams in Notodden and Wallingford are continuously working to develop and improve the technology portfolio, both within PEM and alkaline electrolyzers, so that we can outcompete fossil hydrogen sooner rather than later.

To accommodate the future demand for fueling solutions, our great team in Herning officially opened the new Nel H2Station® factory during the fall of 2018. This state-of-the-art, large-scale production facility has an annual capacity of 300 hydrogen stations per year. Combining technology innovations with increased production capacity will enable Nel to further reduce cost of hydrogen fueling station equipment, and to deliver solutions that can outcompete fossil fuels. The increased activities in the heavy-duty segment has also encouraged us to step up technology developments, and we therefore plan to launch new products in this area that can better address these applications (like buses, trucks, trains, etc.).

The investments in capacity and technology will be key to our next growth phase, and we are thankful for the strong support that our shareholders have shown us. We raised capital in June 2018 and January 2019, strengthening our financial position. The capital we raised will enable us to maintain our cost and technology leadership and to continue as the preferred partner for our current and future customers around the globe.

Altogether, we are one step closer towards our vision of *Empowering generations with clean energy forever*. While there is still much work to be done, working to solve our greatest technological challenges has never been more promising. I would like to thank all our employees that work hard every day to make us successful. And I would, of course, like to thank all our other stakeholders for their efforts and dedication during an eventful and important 2018.

And as we say in Nel:
Thanks for the ride, dinosaurs!
We'll take it from here.

Best regards,
Jon André Løkke, CEO

PIONEERING RENEWABLE HYDROGEN FOR 90 YEARS

1927 Building of the first small electrolyzer installation at Norsk Hydro at Notodden, Norway. Testing for pure hydrogen for fertilizer production.

1929 World's largest installation of water electrolyzers at Rjukan, Norway. Increasing over time to 3 plants and 440 electrolyzers, exceeding 60,000 Nm3/hour. Sourced by hydropower.

1953 Creation of a second large-scale hydropowered electrolyzer plant for supplying hydrogen for ammonia production in Glomfjord, Norway.

1974 Our renowned electrolyzer technology made available for other companies and other industries.

1988 The world's first electrolyzer supplier to provide non-asbestos alkaline electrolyzers.

2003 Nel opens the world's first publicly available hydrogen fueling station in Reykjavik, Iceland.

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.

2014 Nel becomes the first 100% dedicated hydrogen company listed on the Oslo Stock Exchange.

2015 Nel acquires H2 Logic, adding world leading hydrogen fueling technology to the product portfolio.

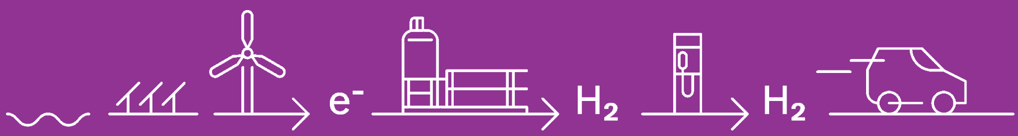
2016 Initiates construction of the world's largest manufacturing plant for hydrogen fueling stations, with a capacity of 300 units per year.

2017 Nel acquires Proton OnSite, adding world leading PEM electrolysis technology to the product portfolio, becoming the world's largest electrolyzer company.

2018 Nel announces construction plans for the world's largest electrolyzer factory to accommodate multi-billion NOK orders.

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

H_2 is ∞


e-
H2
H2

Report from the Board of Directors

2018 Highlights

- Growth in 2018 of 24% on a like-for-like proforma basis, including Proton OnSite full year 2017
- Order backlog amounts to approximately NOK 350 million, not including orders under the Nikola Motor Company (Nikola) supply contract
- Financial results influenced by cost overruns related to certain projects, non-recurring and other costs
- Year-end cash balance of NOK 349.7 million (2017: 295.0)
- Awarded a contract for delivery of 1000 MW (448 electrolyzers) of electrolysis and associated fueling equipment to Nikola as part of Nikola's development of a hydrogen station infrastructure in the US for truck and passenger vehicles
- Announced the construction of the world's largest electrolyzer manufacturing plant with an annual capacity of 360 MW per year
- Opened a new manufacturing plant for hydrogen fueling stations with nameplate capacity of 300 stations per year
- Completed a successful private placement of 90.0 million new shares, at a price per share of NOK 3.12, raising approximately NOK 281 million in gross proceeds. In addition, NOK 48.8 million was raised in a subsequent offering, issuing 15.0 million new shares

SUBSEQUENT EVENTS

- On 30 January 2019 Nel was awarded a USD 6 million contract by Shell for the delivery of a H2Station® solution for fueling of heavy-duty vehicles in the US
- On 30 January 2019 it was completed a private placement of 84.9 million new shares, at a price per share of NOK 5.45, raising approximately NOK 462.7 million in gross proceeds. In addition, on 10 April 2019, it was approved to issue 12.5 million new shares in a subsequent offering, at the same price as in the private placement. This raised NOK 68.1 million in gross proceeds

KEY FIGURES

KEY FIGURES *(Unaudited amounts in NOK million)*	2018	2017*	2016
Operating revenue	489.0	302.2	114.5
Total operating expenses	685.1	419.4	169.8
EBITDA	-131.6	-77.4	-44.9
Operating loss	-196.1	-117.2	-55.3
Pre-tax loss	-197.5	-124.4	-62.6
Net loss	-188.8	-52.4	-55.8
Net cash flow from operating activities	-142.6	-113.0	-34.2
Cash balance end of period	349.7	295.0	225.5

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

Financial development

Nel reported revenues in 2018 of NOK 489.0 million, up from NOK 302.2 million in 2017, following growth of the Fueling and Solutions segment. For Nel, the growth in 2018 was 24% on a like-for-like proforma basis, including Proton OnSite full year 2017.

At the end of 2018, Nel had an order backlog of approximately NOK 350 million. The order backlog does not at this stage include electrolyzers and associated fueling equipment for Nikola as part of its development of a commercial hydrogen station infrastructure in the US for truck and passenger vehicles. Backlog only includes firm purchase orders with agreed price, volume, timing and terms and conditions.

Costs of goods sold increased to NOK 298.5 million (163.6). Wage and social cost expenses amounted to NOK 182.7 million (130.0) and other operating costs increased to NOK 139.4 million (86.0).

The high cost level in 2018 was impacted by legal and settlement costs, cost overruns on certain projects and quality costs on existing HRS[1] stations.

In addition, there was a high level of business development activity and considerable growth initiatives which affected the costs.

Depreciation was NOK 64.5 million (39.8). The depreciation is mainly related to excess values derived from acquisitions completed in previous years.

Operating loss amounted to NOK -196.1 million (-117.2), while the EBITDA ended at NOK -131.6 million (-77.4).

The non-cash costs for the stock option and share incentive program, which are included in wages and social costs, were NOK 11.7 million in 2018 compared to 18.9 million in 2017.

Net financial items amounted to NOK -1.4 million, down from NOK -7.3 million, following currency gains from translation of certain balance sheet items.

Share of loss from associated companies are lower due to lower share of loss from Uno-X Hydrogen AS and Hyon AS, and Nel Korea being consolidated from the third quarter 2018.

Pre-tax loss was NOK -197.5 million (-124.5) and the net loss for the year was NOK -188.8 million, compared to a loss of NOK 52.5 million in 2017.

Total assets were NOK 1 944.4 million at the end of 2018, compared to NOK 1 764.8 million at the end of 2017. Total equity was NOK 1 579.0 million. Thus, the equity ratio was 81 percent.

Net cash flow from operating activities in 2018 was NOK -142.6 million, compared to NOK -113.0 million in 2017. Net cash flow from investing activities was NOK -143.5 million (-219.3).

Nel's cash balance at the end of 2018 was NOK 349.7 million. Subsequently, Nel raised NOK 462.7 million in gross proceed from a private placement completed in January 2019. Further in April 2019 it was approved to issue 12.5 million shares in a subsequent offering which will raise NOK 68.1 million in gross proceeds.

1 HRS=Hydrogen refueling station

Strategy

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

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

Our hydrogen solutions cover the value chain from hydrogen production technologies to manufacturing of hydrogen fueling stations, providing all fuel cell electric vehicles with the same fast fueling and long range as conventional vehicles today.

NEL HYDROGEN ELECTROLYSER

Production and installation of electrolyzers for hydrogen production.

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

Traditionally, hydrogen has been used as an input factor to a number of industrial applications, including as industrial feedstock, to provide a protective atmosphere, and for other purposes. Relevant sectors include food production, chemicals/refining, metallurgy, glass production, electronics, generator cooling, and the production of polysilicon used in PV solar panels.

Hydrogen is now increasingly being utilized as an energy carrier, both to maximize the utilization of renewable energy, and as a sustainable, zero-emission fuel for the transport sector. Electrolysis of water is the key technology to produce large amounts of hydrogen from renewable electricity, and the ability to adapt to intermittent renewable energy sources, such as wind and solar is becoming increasingly important. Once electricity has been used to produce hydrogen, it can be utilized for a broad array of applications, some of which are entirely new, others dominated by fossil energy carriers, or fossil based hydrogen today. These applications include zero-emission fuel for the transport sector, mixing hydrogen with natural gas to make the end-product greener, hydrogen as energy storage, biofuel, green ammonia, methanol, methane, CO_2 free steel/titanium slag, and refineries. The process of converting renewable electricity to hydrogen, or the products mentioned above is referred to as "power-to-X", were X refers to the various applications mentioned above.

Hydrogen from electrolyzers today only accounts for around 1% of the total hydrogen market, but is expected to gain market share at the same time as the total hydrogen market is expected to grow in the coming years. The growth is mainly driven by the decreasing cost of renewable energy, increased share of wind and solar in the energy systems, decreasing cost of electrolyzers, and an increasing focus on climate and air quality.

A step-change in the size of the power-to-X projects is now being initiated worldwide, as projects are moving from demonstration to commercial scale. This trend is welcomed by Nel Hydrogen Electrolyser, as it makes Nel's portfolio of large-scale electrolyzer products increasingly relevant.

Nel Hydrogen Electrolyser started commercial sales of electrolyzers in the 1970s and has sold more than 3 500 electrolyzer units in 80 countries all across the world. The company has production 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.

Nel now also exhibits the world's largest product portfolio of PEM products. In addition to the focus Nel has on further development of alkaline products, similar focus is on PEM products and technology. Several activities are ongoing to continue to improve our competitiveness and extend the product range.

With increasing demand for large scale electrolyzers, Nel has decided to significantly increase its production capacity. This will also contribute strongly to reduce production cost, which is critical to make renewable hydrogen cost competitive with fossil hydrogen. Nel is also continuously working to develop and improve its technology portfolio both within PEM and alkaline electrolyzers. Initiatives include next generation high-pressure alkaline electrolyzer and larger PEM stacks, which will be integrated in larger units to bring the overall cost for the total system down.

Reduced cost and new technology offerings should enable Nel to penetrate new markets with our electrolyzers, and gradually replace all the various fossil solutions that the world is currently relying on.

NEL HYDROGEN FUELING

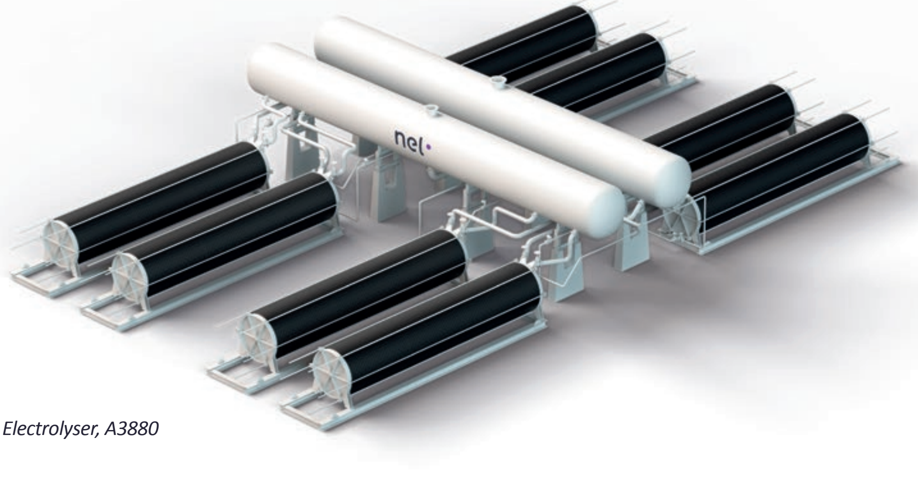
Production of hydrogen fueling stations for cars, buses, trucks, forklifts and other applications.

Nel Hydrogen Fueling is a leading manufacturer of hydrogen fueling stations that provide FCEVs (Fuel Cell Electric Vehicles) with the same fast fueling and long range as conventional fossil fuel vehicles has today. Since Nel started manufacturing hydrogen fueling stations in 2003, we have invested significantly in R&D. Today, Nel is one of few global leaders on fast fueling stations for FCEVs. The H2Station® technology is now being installed in several European countries as well as in South-Korea and in California, U.S., providing hydrogen fueling for FCEVs from major car manufacturers, as well as forklifts, buses and trucks.

Nel Hydrogen Fueling was among the first to achieve fast fueling of hydrogen in compliance with the international fueling standard (SAE J2601) required by major car manufacturers. In Denmark, Nel has delivered H2Station® technology for the entire Danish network of hydrogen fueling stations, operated in collaboration with leading oil-, energy- and gas companies. With the H2Station® technology's long-proven track record of reliable operation, the ambition is to maintain the position as a preferred supplier for international hydrogen fueling infrastructure operators.

Nel officially opened the new Nel H2Station® factory in Herning, Denmark in the fall of 2018. The state-of-the-art, large-scale production facility has an annual capacity of 300 hydrogen stations per year. Combining technology innovations with increased production capacity should enable Nel to reduce cost of hydrogen fueling station equipment. The target is to deliver solutions that can outcompete fossil fuels completely for more and more applications, and to become a preferred fuel alternative. Seeing increased activities in the heavy-duty segment has in this respect encouraged Nel to step up technology developments, and to launch new products that are better accommodated to heavy-duty applications in the future.

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 electrolyzers for hydrogen production.

Nel Hydrogen Electrolyser recorded revenues of NOK 298.5 million, up from NOK 196.8 million in 2017. Growth in 2018 of 4% on a like-for-like proforma basis, including Proton OnSite full year 2017.

Notodden plant
In the third quarter, Nel announced the construction of the world's largest manufacturing electrolyzer plant, which will have a high degree of automation and be able to deliver alkaline electrolyzers at a game changing low cost. After completion, the total capacity at Notodden will be 360 MW/year, approximately ten times the current annual production capacity, and will accommodate the multi-billion NOK framework contract from Nikola.

The manufacturing plant will be an extension of the current facility at Notodden, Norway, and is expected to add 30 to 40 new employees to the company.

Electrolyzer developments
Good progress is being made on R&D on both PEM[2] and alkaline electrolyzers. Successful testing was completed related to the new pressurized alkaline electrolyzer and a cost-reduction program specifically targeted for the PEM electrolyzers is expected to have effect from 2019.

Green fertilizer project with Yara
In the fourth quarter, Nel was awarded a grant under the Norwegian PILOT-E scheme[3] for the development and realization of a green fertilizer project together with Yara. The ambition of the project is to realize zero-emission fertilizer 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 electrolyzer, which is being developed for mega-scale hydrogen production from renewable energy.

2 PEM = Proton exchange membrane
3 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 utilize novel products and services in the field of environment-friendly energy technology as a means of reducing emissions both in Norway and internationally

The Notodden plant

P2G project in Australia
Nel received a purchase order in the third quarter for the first Power- to-Gas (P2G) project in Australia from the ATCO Group, which will use a Proton® PEM electrolyzer.

This contract is strategically important as it opens up a new P2G market and builds on the P2G experience that Nel has gained in many other parts of the world.

ATCO[4] is developing an industry-leading Clean Energy Innovation Hub based at the company's Jandakot Operations facility in Western Australia. The hub incorporates the production, storage, and use of hydrogen, as well as commercial applications of clean energy in micro-grid systems. At the hub, green hydrogen will be produced from solar energy and used on site, in addition to being injected into the micro-grid system at the Jandakot facility.

NEL HYDROGEN FUELING

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

Nel Hydrogen Fueling reports financial figures together with Nel Hydrogen Solutions.

Official opening of new H2Station® factory
Late in the third quarter, Nel announced the official opening of the new Nel H2Station® manufacturing plant in Herning, Denmark. The state-of-the-art facility has a name plate capacity of 300 hydrogen stations per year.

With serial production according to lean principles, the large-scale manufacturing plant represents significant improvements in existing production efficiency and capacity. The factory also allows for both CE and UL[5]-certified stations to be manufactured on the same production line, providing assurance of product safety and more cost-effective deployment of hydrogen fueling.

UL certification
The H2Station® successfully achieved the world's first UL system certification of a hydrogen fueling system station. The certification sets the new industrial norm and benchmark for safety level and legal compliance for hydrogen fueling stations and enables a faster and more streamlined installation and permitting process in the United States.

Historically, hydrogen stations in the U.S. have featured customized designs with a limited field evaluation certification, completed at each site after installation. The H2Station® stands out as a fully standardized hydrogen fueling product, where the UL hydrogen fuel dispensing system certification is achieved for the product design as part of the manufacturing process, greatly reducing the time and cost needed for extensive technical assessments and tests at-site during installation.

EUDP grant
In the fourth quarter, Nel was awarded a R&D grant of EUR 1 million from the Danish Energy Technology Development and Demonstration Program (EUDP) for continued H2Station® hydrogen technology development.

This development is vital for the joint technology development with Nikola Motor Company, and the work to revolutionize the heavy-duty trucking industry with a nationwide U.S. network of hydrogen stations.

70MPa CAR Dispenser

4 ATCO's CEIH hub project is supported by the Australian Renewable Energy Agency and will be fully operational during 2019
5 UL, or Underwriters Laboratories, is a global safety consulting and certification company approved to perform safety testing by the U.S. federal agency Occupational Safety and Health Administration)

NEL HYDROGEN SOLUTIONS

Established to utilize market opportunities across the Nel group, offering complete solutions to customers.

Nel Hydrogen Fueling and Solutions recorded revenues of NOK 190.7 million, an increase from NOK 105.1 million in 2017, representing a growth of 81%.

Nel Hydrogen Solutions offers efficient system integration, project development, and sales across segments, and is a provider of integrated solutions along the value chain. Nel has the technology and experience to efficiently build entire renewable hydrogen fueling networks and offer complete turnkey solutions that meet the growing demand for hydrogen fueling networks.

Utilizing the flexible and modular H2Station® concept enables return on investments for station owners offering fueling for cars, buses, forklifts, and/or trucks. In addition to providing turnkey installations, Nel also offers operational and maintenance services for customers.

Nikola

Nel has been awarded a framework contract for delivery of 1000 MW of electrolysis (448 electrolyzers) and associated fueling equipment to Nikola. Under the multi-billion NOK framework contract - to be gradually ramped up from 2020 through 2025 - Nel will deliver up to 1 GW of electrolysis plus fueling equipment, starting with two demo stations and an electrolyzer for delivery in early 2019.

The value of these deliverables is currently not included in the reported order backlog, as exact timing and station design per site is still under discussion. The two demo stations and electrolyser are included in the backlog (originally with a value of USD 9 million).

Preferred partner for Alstom hydrogen trains
Nel has, together with EDF, GP Joule, IPP Projects and Entwicklungsagentur Region Heide been chosen as the preferred partner for Alstom for a hydrogen train opportunity in Schleswig-Holstein.

The project includes hydrogen production with around 20 MW of electrolysis, distribution and fueling, and will potentially be deployed from 2021.

Further details on the project are expected in 2019.

Germany
In the third quarter, Nel received a purchase order for two H2Station® units from H2 Mobility Deutschland GmbH (H2 Mobility) at an approximate value of EUR 2 million.

H2 Mobility is a joint venture between Air Liquide, Daimler, Linde, OMV, Shell and Total. The purpose of H2 Mobility is to establish a country-wide network of hydrogen fueling stations in Germany with a target of 100 to be deployed by 2020. At the end of 2018 approximately 60 stations were in operation in Germany.

H2BusEurope
The Connecting Europe Facility program (CEF) proposed an award on close to EUR 40 million for the H2BusEurope project.

The H2BusEurope project is developed by Nel and other leading industry partners, aiming to deploy 600 fuel cell city buses in selected regions in Europe as well as establishing necessary hydrogen production and fueling infrastructure.

Further details on the project are expected in 2019.

South Korea
Nel Deokyang Co Ltd. (Nel-Deokyang) received a purchase order for a H2Station® hydrogen fueling solution from Joong Do Gas, a retail company involved in sales of LPG fuel in South Korea. The EUR 2 million order marks the first installation in Korea, and the first compact fueling station solution to follow a new gas law and local standards. The station is supported by the Korean Automotive Environment Association, and installation is expected to commence in the second half of 2019.

Nel has since increased its ownership of Nel-Deokyang Co. Ltd to 100 percent, making it a fully-owned subsidiary of Nel, and renaming it Nel Korea Co., Ltd. By gaining full control over the company, Nel expects to be able to extend and accelerate activities and sales in the region.

Uno-X Hydrogen AS
Nel received purchase orders for four hydrogen stations from Uno-X Hydrogen at an approximate total value of EUR 4 million.

Further, Uno-X Hydrogen was awarded a grant of NOK 24 million from the Norwegian public enterprise, Enova SF, for expanding the Norwegian hydrogen network with four hydrogen fueling stations.

Uno-X Hydrogen is a joint venture between Uno-X Norge AS, Praxair Norge AS and Nel, aimed at building a network of hydrogen fueling stations covering the major cities in Norway by 2020.

Subsequent announcements
Nel entered into a contract for the delivery of a H2Station® solution for fueling of heavy-duty vehicles (HDV) in the U.S., a market which is showing a faster growth than earlier anticipated.

Nel is gearing up the efforts and technology developments required to offer solutions that can accommodate growth in this segment.

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

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

CORPORATE

Nel raised approximately NOK 280.7 million in gross proceeds through a private placement of 90.0 million new shares at a price per share of NOK 3.12 in June 2018. In addition, 15.0 million shares were issued in September in a subsequent offering at the same pricing per share, raising another NOK 46.8 million in gross proceeds.

The proceeds will be used to accommodate the Nikola order and to fund the expansion of the production facility at Notodden. The 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.

In addition, proceeds were used for a USD 5 million investment into Nikola, as part of their C-round financing. Nel's USD 5 million investment aims to further strengthen the partnership and collaboration between Nel and Nikola.

SUBSEQUENT CORPORATE DEVELOPMENT

After year-end, Nel raised NOK 462.7 million in gross proceeds through a private placement of 84.9 million new shares at a price per share of NOK 5.45.

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

- Upgrading existing H2Station® technology to better accommodate heavy duty vehicle applications
- Development of high capacity cooling/compression technologies to accommodate future Nikola stations as well as other future HDV applications
- Development of next generation electrolyzer technology for industrial applications, such as ammonia, refineries, etc.
- The net proceeds will also fund additional working capital in response to increased order volumes and improved positioning to benefit from markets with high activity and growth momentum, as well as general corporate purposes

On 10 April 2019, it was approved to issue 12.5 million new shares in a subsequent offering, at the same price as in the private placement, which raised NOK 68.1 million in gross proceeds.

LEGAL DEVELOPMENTS

Nel agreed to settle the legal dispute with PDC Machines, Inc. (PDC), regarding alleged misappropriations of compressor trade secrets.

Substantial efforts by Nel and its advisors to reach a solution in this dispute have entailed additional legal and other related costs in 2018.

The parties look forward to continuing their joint efforts to provide products and services of the highest quality to customers in the hydrogen industry.

ORGANIZATION, STAFF AND MANAGEMENT

Through its operational business units, Nel employed 239 people at the end of 2018, compared to 192 at the end of 2017.

Following the integration of Proton OnSite, the Nel group management consists of the following six group executives and three divisional heads:

- Chief Executive Officer: Jon André Løkke
- Chief Financial Officer: Bent Skisaker
- SVP Sales and Marketing: David T. Bow
- VP Investor Relations and Corporate Communication: Bjørn Simonsen
- VP Business Development: Raluca Leordeanu
- SVP Projects: Hans H. Hide (joined March 2019)
- SVP Nel Hydrogen Electrolyser and Chief Technology Officer: Anders Søreng
- SVP Nel Hydrogen Fueling: Jørn Rosenlund
- SVP Nel Hydrogen Solutions: Jacob Krogsgaard

The company practices a policy of equal treatment on all assignments and promotions. Currently, 16% 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 2018. In 2018, the sick leave rate was 2.3%, compared to 2.5% in 2017.

CORPORATE SOCIAL RESPONSIBILITY

Following the global expansion of Nel, the company is committed to setting high standards for corporate social responsibility and sound business conducts across different borders and cultures. The company 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 continued development and implementation of CSR guidelines, inspired by the Oslo Stock Exchange guidance on the reporting of corporate responsibility, will also be a prioritized task throughout 2019.

CORPORATE GOVERNANCE

The board and management of Nel are committed to maintaining high ethical standards and promoting good corporate governance. The company believes that good corporate governance builds confidence among shareholders, customers, and other stakeholders, and thereby supports maximum value creation over time. The equal treatment of all shareholders lies at the heart of the company's corporate governance policy. The company has only one class of shares, and all shareholders have equal rights. The company's shares are listed and freely transferable.

Nel's Corporate Governance Report is based on the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018, and can be found on pages 22-25 of this annual report and on the company's website.

SHAREHOLDERS AND FINANCING

Nel's shares are listed on the Oslo Stock Exchange under the ticker "NEL". At the end of 2018, the company had 1 113 551 382 outstanding shares, held by 16 422 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 2018 and in January and March 2019, 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.

The company 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 analyzes 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.

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 fulfill 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 electrolyzer 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 24.

Outlook

Nel has a strong position within the hydrogen industry as a pure-play company positioned to play an important role in a fast-growing market. Nel offers the complete range of electrolyzers, as well as state- of-the-art fueling stations for all types of fuel cell electric vehicles, and targets to maintain this unique position within the industry.

Nel aims to capitalize on the emerging opportunities within power-to-X and hydrogen fueling, targeting continued technology leadership, global presence, cost leadership, and preferred-partner status for industry participants.

NEL will continue to pursue growth initiatives and focus on long term high value orders although these will have a negative impact on Nel's ability to deliver positive EBITDA in the short term.

Key areas of focus include:

- Completion of the x10 factory expansion at Notodden to support deliveries to Nikola and other customers
- Leveraging the fast-growing Heavy Duty Vehicle (HDV) opportunities
- Developing next generation electrolyzer technology for industrial applications, such as ammonia, refineries, etc.
- Continuing to explore further market penetration strategies in China
- Ongoing collaboration on H2Bus Europe for a large-scale hydrogen bus rollout
- Supporting Alstom & partners for hydrogen train opportunities in Germany
- Significant tender activities for larger projects for electrolyzers and H2Stations
- Continue to develop our organization

Atmospheric Alkaline Electrolyser, A150

OSLO, 11 APRIL 2019

THE BOARD OF DIRECTORS

Ole Enger Board member (Sign)	Hanne Skaarberg Holen 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 conduct business, invest in and/or own rights in biotech/pharmaceuticals, production and sale of hydrogen plants, or other 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 2018 consisted of 1 113 551 382 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 authorization to increase the share capital with up to NOK 24 219 158.80 through one or several capital increases, in addition to an authorization to acquire shares in Nel on behalf of the company, up to 10% of the face value of the share capital of the company.

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 endeavors 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 to attend general meetings. The members of the nomination committee and 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 four 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 2018, the following persons were elected to the nomination committee and serve until the 2019 annual general meeting:

- Leif Eriksrød, chair
- Magne Myrehaug, member
- Jesper Boisen, member
- Tom Sullivan, 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 2018, Hanne Skaarberg Holen, chair of the board, Mogens Filtenborg, Ole Enger, Beatriz Malo de Molina, 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 7 (group) and note 4 (parent company) for transactions with related parties.

The shareholdings of directors and senior management are outlined in note 6.

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 organized 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 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 company. 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 2018, 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, the board made a visit to Proton OnSite in Connecticut, USA.

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 Ms. Hanne Skaarberg Holen and Ms. Beatriz Malo de Molina. Both 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 organizational 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 behavior 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 company'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 2018 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 the company'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 authorized 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 endeavor 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 endeavor 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. 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 categorized 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

HANNE SKAARBERG HOLEN, CHAIR OF THE BOARD

Ms. Skaarberg Holen (born 1964) is a partner at law firm Thommessen in Oslo, working with tax law, company law, professional liability and related litigation. She has a background as partner/lawyer at PricewaterhouseCoopers and as audit manager at Price Waterhouse. Hanne Skaarberg Holen has a law degree from UiO and a business management degree from HEC - University de Lausanne. She has management experience and board experience from both listed and private companies. Ms. Skaarberg Holen is a Norwegian citizen and lives in Oslo. Ms. Skaarberg Holen has been a board member since 2017 and was elected chair of the board in 2018.

OLE ENGER, BOARD MEMBER

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.

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 industrializing 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.

BENT SKISAKER, CFO

Bent Skisaker joined Nel in 2016. Mr. Skisaker comes from a position as Chief Financial Officer (CFO) of Eureka Pumps and has more than ten years' experience as CFO in other companies in the Aker Group, both listed and private equity owned. Mr. Skisaker has also served eight years as an auditor and financial advisor at Ernst & Young/Arthur Andersen. Mr. Skisaker holds a B.A. (Hons.) of Business Organisation from Heriot-Watt University, a Master in Accounting and Auditing from the Norwegian School of Economics (NHH), and is qualified as a State Authorized Public Accountant in Norway.

DAVID BOW, SVP SALES AND MARKETING

David Bow was appointed SVP Sales and marketing and joined Nel ASA in August 2017. Prior to Nel he worked at Proton OnSite from 2014, where he held the title Senior Vice President of Sales and Marketing. He held 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.

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 M.Sc. in Process Engineering from the Norwegian University of Science and Technology (NTNU).

RALUCA LEORDEANU, VP BUSINESS DEVELOPMENT

Raluca Leordeanu joined Nel as VP Business Development in August 2018. She previously held 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.

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.

Divisional heads

ANDERS SØRENG, SVP NEL HYDROGEN ELECTROLYSER AND CTO

Anders Søreng joined Nel in 2016. He has previously served as Senior Vice President in REC Solar, where he held various management positions since 2008. Mr. Søreng has recently worked as SVP & CTO of Norsk Titanium and holds a PhD from the Norwegian University of Science and Technology (NTNU).

JACOB KROGSGAARD, SVP NEL HYDROGEN SOLUTIONS

Jacob Krogsgaard was appointed SVP Nel Hydrogen Solutions in 2016. He is one of the co-founders and was Managing Director of H2 Logic since 2003. Mr. Krogsgaard also serves as CEO and board member of Danish Hydrogen Fuel A/S as well as board member of Icelandic Hydrogen – both joint venture companies with leading energy and gas companies.

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.

****

"We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2018, up to and including 31 December 2018, 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, 11 APRIL 2019

THE BOARD OF DIRECTORS

Ole Enger
Board member

(Sign)

Hanne Skaarberg Holen
Chair of the Board

(Sign)

Beatriz Malo de Molina
Board member

(Sign)

Mogens Filtenborg
Board member

(Sign)

Finn Jebsen
Board member

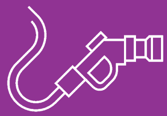
(Sign)

Jon André Løkke
CEO
(Sign)


CE0036

Consolidated financial statements 2018

Nel group



Consolidated statement of comprehensive income

(Amounts in NOK thousands)

Nel group

OPERATING INCOME AND OPERATING EXPENSES	NOTE	2018	2017
Revenue from contracts with customers	3, 4	453 187	275 006
Other operating income	3, 5	35 861	27 214
Total operating income		489 049	302 220
Cost of goods sold		298 545	163 638
Personnel expenses	6	182 726	130 021
Depreciation	11, 12	64 470	39 762
Other operating expenses	8	139 369	85 961
Total operating expenses		685 110	419 382
Operating loss		-196 061	-117 162
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Interest income		3 271	2 442
Other financial income		1 547	4 531
Interest expense		704	399
Share of loss from associated companies	19	4 731	7 074
Other financial expenses		825	6 784
Net financial items		-1 442	-7 284
Pre-tax loss		-197 503	-124 447
Tax expense (-income)	9	-8 676	-72 000
Net loss attributable to equity holders of the company		-188 827	-52 447
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS (NET OF TAX)			
Currency translation differences		31 356	18 237
Comprehensive income attributable to equity holders of the company		-157 471	-34 210
Earnings per share (NOK)	23	-0.179	-0.063
Diluted earnings per share (NOK)	23	-0.176	-0.061

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel group		
ASSETS	NOTE	2018	2017	01.01.2017
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Technology	11	422 040	377 677	90 195
Customer relationship	11	69 151	78 329	27 861
Customer contracts	11	0	9 575	0
Goodwill	11	608 837	591 735	317 629
Total intangible assets		1 100 029	1 057 317	435 684
TANGIBLE FIXED ASSETS				
Land, buildings and other property	12	110 681	79 654	44 778
Machinery, equipment, fixtures and fittings	12	24 702	16 544	1 025
Total tangible fixed assets		135 383	96 198	45 804
FINANCIAL ASSETS				
Investments in associates and joint ventures	19	18 451	16 865	13 708
Financial fixed assets	22	53 882	10 161	0
Total financial assets		72 333	27 026	13 708
Total non-current assets		1 307 746	1 180 541	495 196
CURRENT ASSETS				
INVENTORY				
Raw materials, work in progress and finished goods	13	134 804	138 723	36 266
RECEIVABLES				
Trade receivables	17	108 659	96 791	34 974
Other current receivables	18	43 445	53 768	3 312
Total receivables		152 104	150 560	38 287
Cash and cash equivalents	14	349 747	295 000	225 467
Total current assets		636 655	584 282	300 019
TOTAL ASSETS		1 944 401	1 764 823	795 215

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel group		
EQUITY AND LIABILITIES	NOTE	2018	2017	01.01.2017
EQUITY				
PAID IN CAPITAL				
Share capital	15	222 710	199 743	136 736
Treasury shares		-12	-4 405	-1 377
Share premium		1 585 570	1 289 233	608 213
Other capital reserves		29 946	19 188	11 116
Total paid in capital		1 838 215	1 503 759	754 688
OTHER EQUITY				
Retained earnings		-259 237	-94 373	-83 468
Total other equity		-259 237	-94 373	-83 468
Total equity		1 578 978	1 409 387	671 219
NON-CURRENT LIABILITIES				
Deferred tax	9	69 481	68 273	13 552
Total provisions		69 481	68 273	13 552
LONG TERM DEBT				
Non-current interest bearing debt	10	32 026	6 538	0
Other long term debt	10	74 434	66 752	44 890
Total long term debt		106 460	73 290	44 890
Total non-current liabilites		175 942	141 563	58 442
CURRENT LIABILITIES				
Accounts payable		69 473	64 857	16 790
Taxes payable	9	0	0	370
Public duties payable		6 962	3 060	1 347
Other current liabilities	18	113 046	145 957	47 046
Total current liabilities		189 481	213 874	65 553
Total liabilities		365 423	355 437	123 995
TOTAL EQUITY AND LIABILITIES		1 944 401	1 764 823	795 215

OSLO, 11 APRIL 2019

THE BOARD OF DIRECTORS

Ole Enger Board member (Sign)	Hanne Skaarberg Holen 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	2018	2017
Loss before tax		-197 503	-124 447
Interests cost, reversed		704	311
Interests income, reversed		-3 271	-2 442
Depreciation	11, 12	64 470	35 968
Change in provisions		16 956	44 002
Change in inventories		3 919	-102 457
Change in trade receivables		-11 868	-61 817
Change in trade payables		4 616	48 067
Changes in other current assets and other liabilities		-20 591	49 798
Net cash flow from operating activities		-142 568	-113 018
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Acquisitions of fixed assets	12	-94 513	-71 898
Cash outflow investments in other financial assets		-42 131	0
Payment of loan given to associates and joint ventures		-9 796	-198
Acqusition of associated companies	19	-3 478	-8 624
Acqusition of subsidiaries	20, 21	-6 883	-169 220
Acquistion of subsidiaries cash balance acquired		13 342	30 669
Net cash flow from investment activities		-143 458	-219 272
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid		-704	-311
Interests received		3 271	2 442
Gross cash flow from share issues	15	332 259	428 033
Transaction costs related to capital increases	15	-12 954	-23 623
Proceeds from new loans	10	27 280	0
Payment of short and long term debt		-8 378	-4 719
Net cash flow from financing activities		340 773	401 823
Net change in cash and cash equivalents		54 747	69 533
Cash balance as of 01.01		295 000	225 467
Cash balance as of 31.12	14	349 747	295 000

Consolidated statement of changes in equity

(Amounts in NOK thousands)

Nel group

	Attributable to equity holders of the company							
		Paid in capital				Retained earnings		
	Number of shares	Share capital	Share premium	Other reserve	Treasury shares	Currency conversion effects	Retained-earnings/ other equity	Total equity
Equity as of 01.01.2017	683 678	136 736	608 213	11 116	- 1 377	603	-84 071	671 219
Net loss attributable to equity holders of the company							-52 447	-52 447
Currency translation differences						18 237		18 237
Increase of capital 2017	315 037	63 007	681 020					744 027
Acquisition Proton							17 049	17 049
Treasury shares					-3 028			-3 028
Options and share program				8 072			9 213	17 285
Other changes							-2 957	-2 957
Equity as of 31.12.2017	998 715	199 743	1 289 233	19 188	-4 405	18 840	-113 213	1 409 386
Opening balance adjustment - IFRS 15 adoptation							-3 037	-3 037
Net loss attributable to equity holders of the company							-188 827	-188 827
Currency translation differences						31 356		31 356
Increase of capital 2018	114 836	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	1 113 551	222 710	1 585 570	29 946	-13	50 196	-309 433	1 578 978


FLUKE
THERMAL IMAGER
F1
F2
F3

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 three divisions: Nel Hydrogen Electrolyser, Nel Hydrogen Fueling and Nel Hydrogen Solutions.

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 consolidated financial statements were approved by the Board of Directors on 11 of April 2019.

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 approved by EU. Accounts are based on the principle of historical cost. The consolidated financial statements are presented in Norwegian kroner (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 2018. 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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss.

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

The statement of profit or loss reflects the group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The group does not recognize its share of losses if this means that the carrying amount of the investment becomes negative (including unsecured receivables).

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 recognized 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 recognized 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 recognized 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 capitalized goodwill. The value of the CGUs will be stipulated as the recoverable amount, which is the higher of net sales value and value in use. 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.

Revenue from contracts with customers
IFRS 15 Revenue from contracts with customers, is effective from January 1, 2018. The group is in the business of providing electrolyzers and Hydrogen Fueling Stations equipment and installation services. Revenue from contracts with customers is generally recognized 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 recognized on a point in time measurement basis or on a progress based measurement basis.

The group's revenues result from the sale of goods or services and reflect the consideration to which the groups expect to be entitled. The group 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 recognizes the revenue when (or as) the performance obligation is transferred to the customer. 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 customized equipment.

Revenue from sale of standard product and equipment
The group recognizes 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 recognizing revenue in Electrolyser US division and aftermarket segment in the Electrolyser Norway division.

Revenue from sale of customized product and equipment
The group uses the percentage of completion method to recognize revenue and costs. Revenue is recognized according to degree of completion using the input method (cost).

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 recognized in its entirety in the period when this is identified.

The progress based measurement of revenue is the main method of recognizing 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 consideration under the arrangement is being appropriately allocated to each of the performance obligations.

In general, customer payments are due in thirty 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.

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 recognized ratably over the contract period.

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

For service and repair contracts, revenue is recognized 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 will be sold as part of an equipment sale to a customer. These warranty obligations will be recognized ratably over the contract period.

Estimated warranty obligations are recorded in the period in which the related revenue is recognized 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 Company to make assumptions and apply judgments when estimating product failure rates and expected material and labor costs. The group makes adjustments to 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 balances
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 recognized for the earned consideration that is conditional. As of the balance sheet date, the cumulative costs incurred plus recognized profit (less recognized loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognized profits (less recognized losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "other current 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 recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the group performs under the contract. Where progress billings exceed the cumulative costs incurred plus recognized profits (less recognized losses), the balance is presented as due to customers on construction contracts within "other current liabilities". Progress billings not yet paid by customers and retentions by customers are included within "other current receivables". Advances received are included within "other current liabilities".

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 recognized 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. Capitalized development costs are recognized at historical cost after the deduction of accumulated depreciation and impairments. The capitalized value is amortized 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 recognized 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 recognized as other operating income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Previously, grants received that relate to an acquisition or development of assets have been presented “net” in Nel’s financial statements. A net presentation entails that when a grant is received it is deducted from the cost of the asset. Subsequently, this will reduce the depreciation expense. As of 1 January 2018 Nel has implemented a “gross” presentation of grants received in relation to the acquisition of assets. 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 amortized over the useful life of the related asset. The amortized part of the deferred income is presented as other operating income in the statement of comprehensive income. The change in accounting principle related to grants is described in more detail in note 2b.

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 recognized as a salary expense when they fall due. Prepaid contributions are recognized 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 recognized in equity as a reduction in the proceeds received.

Tax

The tax expense in the income statement 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 recognized if it is probable that the company will have a sufficient tax profit to be able to utilize the tax asset.

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

Fixed assets

Fixed assets are recognized 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.

Account Receivables

Account receivables are initially recognized at their fair value. Provision for bad debts is recognized when objective indicators suggest that the group will not receive a settlement in accordance with the original terms. The provision represents the difference between the carrying amount and the present value of expected cash flows discounted by the effective interest rate. Changes in the provision are recognized in the profit and loss account as other operating expenses.

Inventory

Inventory comprises purchased raw materials, finished goods and work in progress. Inventory is valued at the lower of cost and net selling price. 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 fixed assets, goodwill and other intangible assets
An assessment of impairment of fixed- 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 recognized. 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 recognized 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 recognized previously. The reversal of previous impairment loss is recognized when the reversal can be related to an event after the impairment loss was recognized.

Impairment losses previously recognized 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. Foreign exchange gains/losses arising from changes in exchange rate between the transaction date and payment date is recorded as financial income/expense in the Statement of comprehensive income. On the balance sheet date monetary items in foreign currency are converted to exchange rates at the balance sheet date. Non-monetary items are capitalized at historical exchange rate on the transaction date.

The functional currency the subsidiary Nel Hydrogen A/S is DKK. The functional currency of the subsidiary Proton OnSite is USD. The profit and loss items from these two subsidiaries are converted to NOK using an average exchange rate, while balance sheet items are converted using the rate at the balance sheet date.

Financial assets and liabilities in foreign currencies are converted at exchange rates at 31 December. Exchange rate gains and losses are recognized as other financial income and other financial expenses, respectively, included in the determination of net income.

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.

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 recognized 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 recognized, 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.

Segment reporting
Nel operates and is managed in three operating segments. The three segments are:

- Nel Hydrogen Fueling which offers H2Stations® for fast fueling of fuel cell electric vehicles as 'well as services in relation to the supply of these stations.
- Nel Hydrogen Solutions which enables the group to utilize market opportunities across the group and offer complete solutions to the customers.
- Nel Hydrogen Electrolyser which offers hydrogen plants based on water electrolysis technology for use in various industries.

The two segments Nel Hydrogen Fueling and Nel Hydrogen Solutions are combined and financially reported as one segment.

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

Financial assets and liabilities
All significant financial assets are classified as loans and receivables and all significant financial liabilities are measured at amortized cost. The group does not hold significant financial assets or liabilities measured at fair value through profit or loss, held-to-maturity investments or available-for sale financial assets.

New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been applied in preparing these consolidated financial statements. None of these are expected to have significant impact on the group's consolidated financial statements, except for IFRS 16 accounting for leases.

IFRS 16 Leases
IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognize assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Nel has chosen to use the modified retrospective method in implementing IFRS 16, which gives rise to an implementation effect in the opening balance, but the comparable figures do not change. The group has made an analysis of the expected impact on the 2019 financials based on the contracts in place at year-end 2018. The new standard is expected to mainly impact the group's recognition of long term office leases and to some extent leases for service vehicles.

The group's analysis indicates that the total effects on the financial statements for 2019 will be limited. Total lease payments for the group's consolidated entities in operation at year end 2018 are expected to reach approximately NOK 10 million in 2019, of which approximately NOK 8 million and NOK 3 million will be recognized as depreciation expenses and interest expense respectively. The opening balance of the group's consolidated statement of financial position is expected to increase by approximately NOK 40 million corresponding to the lease liability.

2017 figures
The 2017 figures include Proton OnSite from the acquisition date 30 June 2017. The 2017 figures is not restated to include Proton OnSite for the entire period.

Note 2b Changes in accounting policies and disclosures

The group reassessed its accounting for grants received related to the development or acquisition of an asset. Previously, such grants had been presented using a "net approach" in the group's financial statements. As of 1 January 2018 the group adopted a "gross approach" when accounting for such grants received.

The group elected to change the method of accounting for grants from «net» to «gross» as the group believes that this change in accounting method will provide more consistent and transparent financial information when applied over time. The group receives several types of grants and applying the "gross" method will ensure that all grants at some point will be recognized as other operating revenues. Due to the change in accounting method the consolidated statement of financial position includes restated comparative figures as of 1 January 2017.

The effects of the change in accounting principle is illustrated in the tables below containing key figures using the previous "net approach" instead of the current "gross approach" related to grants.

(amounts in NOK million)

	NET APPROACH		GROSS APPROACH	
EXTRACT OF STATEMENT OF COMPREHENSIVE INCOME	2018	2017	2018	2017
Operating revenue	483.5	298.4	489.0	302.2
Operating expenses	620.6	379.6	620.6	379.6
EBITDA	-137.1	-81.2	-131.6	-77.4
Depreciation	59.0	36.0	64.5	39.8
EBIT	-196.1	-117.2	-196.1	-117.2
Pre-tax loss	-197.5	-124.4	-197.5	-124.4

	NET APPROACH		GROSS APPROACH	
EXTRACT OF STATEMENT OF FINANCIAL POSITION	2018	2017	2018	2017
Technology	371.2	338.5	422.0	377.7
Total intangible assets	1 049.2	1 018.1	1 100.0	1 057.3
Total Assets	1 895.5	1 725.7	1 944.4	1 764.8
Other long term debt	25.5	27.6	74.4	66.7
Total non-current liabilities	127.1	102.4	175.9	73.3
Total liabilities	316.6	316.3	365.4	355.4
Total equity and liabilities	1 895.5	1 725.7	1 944.4	1 764.8

New and amended standards and interpretations

IFRS 15 Revenues from contracts with customers

The Group applied IFRS 15 for the first time. The nature and effect of the changes from adopting the new accounting standard is described below.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

As previously reported and disclosed the implementation of IFRS 15 had limited effect of the revenue recognition in the group. Under previous revenue recognition policy Nel Hydrogen Electrolyser division and in specific service/aftermarket projects, revenue was recognized over time based on progress of the project.

Under IFRS 15, revenue from service/aftermarket in Nel Hydrogen Electrolyser division is to be recognized at point in time at delivery.

The group has applied the modified retrospective approach in transitioning to the new principle. Under this approach, the cumulative effect of initially applying IFRS 15 is recognized at the date of the initial application, i.e. in the 2018 opening balance and comparative periods are not restated. Consequently, previously recognized revenue from service/aftermarket in Nel Hydrogen Electrolyser division that had not been delivered as of 31 December 2017, was reversed effective 1 January 2018, along with the related project costs. This revenue is recognized in the 2018 financial statements and future periods statements of profit and loss, without prior period being restated. The net negative effect of implementation on 1 January 2018 was NOK 3.0 million. The gross effect was NOK 9.0 million in revenues and NOK 6.0 million in cost of goods sold.

For 2018, NOK 2.6 million of the net implementation effect of NOK 3.0 million has been recognized. The related aftermarket projects have been deemed to be delivered to the customer since the control of the products have been transferred from the company to the customer during 2018.

For 2018 the revenue recognized due to this change increased to NOK 8.4 million and the cost of goods sold increased to NOK 5.8 million, net effect NOK 2.6 million. See note 4 revenue from contracts with customer for further details.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Overall, there were no impact of implementing IFRS 9 for the group. This was primarily based on that the group does not use hedge accounting. The classification and measurement of the group's balance sheet financial assets and liabilities did not result in any change. Finally, there were no material impact on new IFRS 9 requirements on impairment of trade receivables due to its history of no significant losses on trade receivables.

Note 2c Significant accounting judgements, estimates and assumption

The preparation of financial statements requires management to make assessments and to prepare estimates and assumptions that influence amounts recognized in the accounts for assets and obligations, revenues and expenses. Estimates and related assumptions are based on the best of the management's knowledge of historical and relevant events, experience and other factors that seem reasonable under the circumstances. The actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous assessment.

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 customized and in turn recognized using an over time/progress based measurement several criteria have to be evaluated. The first criterion is related to alternate use. Manufacturing a customized 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 recognized using an over time measurement.

Determining whether revenue from a contract should be recognized over time or at point in time could have a significant effect on the financial statements and is to some extent dependent upon assumptions from management. See note 4 revenue from contracts with customer for further details.

Business combination

Due to the acquisition of Proton OnSite excess values from the business combination are allocated to identifiable intangible assets and goodwill based on a third-party purchase price allocation (PPA). The PPA is based on several assumptions and judgements provided by management and their best knowledge. The significant ones relate to the allocated value from customer contracts, customer relationship and the technologies acquired.

Key assumptions regarding the fair value of technologies obtained is useful life of the patented technology and estimated royalty rate.

Key assumptions regarding the fair value of customer related assets is the assessment of revenue share from recurring customers and estimate of useful life of customer relationships.

Please refer to note 21 for more information regarding the Proton OnSite acquisition.

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

The group has NOK 883 million of tax losses carried forward (NOK 730 million in 2017). 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 can only recognize deferred tax assets to a small extent from the tax losses carried forward. Deferred tax assets not recognized in the statement of financial statement amount to NOK 185 million in 2018 (152 in 2017).

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 recognized 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 recognized 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.

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

Development costs
The group capitalizes costs for product development projects. Initial capitalization 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 capitalized, 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 three business segments, Hydrogen Fueling, Hydrogen Solutions and Hydrogen Electrolyser. Currently the financial figures from the two divisions, Fueling and Solutions, are reported together as one.

Through the subsidiary Nel Hydrogen A/S based in Herning, Denmark, the group offers H2Stations® for fast fueling of fuel cell electric vehicles as well as services in relation to the supply of these stations. Through its subsidiary Nel Hydrogen Electrolyser AS, based in Notodden, Norway, the group offers hydrogen plants based on water electrolysis alkaline technology for use in various industries. Through its subsidiary Proton Energy Systems Inc, USA, that was acquired in 2017, the group offers hydrogen plants based on water electrolysis PEM technology for use in different industries. The identification of segments in the group is made based on the different products the division offers as well as geographical areas the divisions operate in.

The executive management group is the chief operating decision maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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

(Amounts in NOK thousands)

2018	BUSINESS SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING AND SOLUTIONS	ELECTROLYSER	OTHER/ ELIMINATION*	TOTAL
Europe	65 347	38 575	-200	103 722
North America	125 396	201 898	0	327 294
Asia	0	30 391	0	30 391
Middle East	0	6 944	0	6 944
Africa	0	10 692	0	10 692
South America	0	4 558	0	4 558
Oceania	0	5 447	0	5 447
Total revenues	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
Financial income	926	1 297	2 595	4 818
Financial expenses	3 810	291	2 160	6 260
Tax expense (income)	-849	876	-8 703	-8 676
Profit (loss) after tax	-97 971	-34 878	-55 979	-188 827
Total assets	330 020	388 587	1 225 794	1 944 401
Total liabilities	190 007	340 304	-164 888	365 423

** 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 inter-company transactions and balances.*

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)

2017	BUSINESS SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING AND SOLUTIONS	ELECTROLYSER	OTHER/ ELIMINATION*	TOTAL
Europe	78 697	61 072	338	140 107
North America	25 333	72 539	0	97 872
Asia	1 073	46 131	0	47 204
Middle East	0	10 377	0	10 377
Africa	0	3 132	0	3 132
South America	0	3 202	0	3 202
Oceania	0	326	0	326
Total revenues	105 103	196 779	338	302 220
Operating expenses	141 826	200 439	37 355	379 620
EBITDA	-36 723	-3 660	-37 017	-77 401
Depreciation	6 894	3 500	29 368	39 762
Operating loss	-43 618	-7 160	-66 385	-117 162
Finance income	1 359	3 135	2 479	6 973
Finance costs	7 786	2 692	3 779	14 257
Tax expense (income)	-5 686	-2 226	-64 087	-72 000
Loss after tax	-44 359	-4 491	-3 597	-52 447
Total assets	259 313	322 236	1 183 274	1 764 824
Total liabilities	169 913	238 492	-52 969	355 437

** 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 inter-company transactions and balances.*

No single customer had revenues amounting to more than 10% of total revenues in 2017.

	PROPERTY, PLANT AND EQUIPMENT	
GEOGRAPHICAL AREA	2018	2017
Norway	28 502	4 889
Denmark	91 213	75 994
USA	15 575	15 315
South Korea	93	0
Total	135 383	96 198

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

Note 4 Revenue from contracts with customers

(Amounts in NOK thousands)

Disaggregated revenue information — For the year ended 31 December 2018

SEGMENTS	FUELING AND SOLUTIONS	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 revenues from contracts	175 555	277 633	453 187
Timing of revenue recognition			
Revenue recognized at point in time	22 266	236 232	258 498
Revenue recognized over time	153 289	41 401	194 690
Total revenues from contracts	175 555	277 633	453 187

For the year ended 31 December 2017

SEGMENTS	FUELING AND SOLUTIONS	ELECTROLYSER	TOTAL
Type of goods or service			
Product and equipment sales	83 475	160 315	243 790
Service and aftermarket	7 226	23 990	31 216
Total revenues from contracts	90 701	184 305	275 006
Timing of revenue recognition			
Revenue recognized at point in time	7 226	160 307	167 533
Revenue recognized over time	83 475	23 998	107 473
Total revenues from contracts	90 701	184 305	275 006

CONTRACT BALANCES

CONTRACT ASSETS	2018	2017
Costs incurred and estimated earnings on contracts in progress	89 588	194 475
Less - billings to date	81 376	173 686
Costs and estimated earnings in excess of billings, net	8 212	20 789

CONTRACT LIABILITIES	2018	2017
Costs incurred and estimated earnings on contracts in progress	215 467	40 830
Less - billings to date	231 830	43 748
Billings in excess of costs and estimated earnings, net	-16 363	-2 918

Deferred revenue and customer deposits	-52 277	-99 718
Total	-68 640	-102 636

Revenue recognized in the current period that was included in the opening contract liability balance was NOK 55.9 million and NOK 17.6 million in 2018 and 2017, 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 is 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 recognized at point in time or over time. This depends upon the nature of the product, and in particular, whether it is considered to be a standard or customized product (see note 2).

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 recognize revenue and cost over the period of the contract.

When revenue is recognized over time using the percentage of completion method, completion is measured by accrued cost.

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 criteria 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.

Service and aftermarket
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 recognized ratably over the contract period.

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

For replacement cell stack sales, revenues is recognized when performance obligation is satified generally upon delivery of cell stacks. Payment is generally due within 30-60 days from delivery.

Note 5 Public grants

The group changed the accounting policy related to grants in 2018. See note 2b for further details.

(Amounts in NOK thousands)

		BOOKED AS OTHER OPERATING INCOME		BOOKED AS DEFERRED REVENUE (NON-CURRENT LIABILITY)		TOTAL PUBLIC GRANTS RECEIVED	
GRANTOR / TYPE OF GRANT:	COUNTRY	2018	2017	2018	2017	2018	2017
Hyscale	Denmark	1 143	0	1 909	0	3 052	0
H2Cost 2	Denmark	666	0	986	0	1 653	0
HyBoost	Denmark	0	307	0	0	0	307
HyBoost 2	Denmark	1 485	1 001	2 444	1 895	3 929	2 896
HyFAST EU	Denmark	0	2 707	0	0	0	2 707
H2ME1	Denmark	0	-1 064	0	0	0	-1 064
H2ME2	Denmark	4 935	4 917	0	0	4 935	4 917
Various grants in Nel Hydrogen A/S	Denmark	1 461	2 739	0	1 131	1 461	3 870
Norsk Forskningsråd	Norway	0	0	8 681	5 535	8 681	5 535
Grants from EU	Norway	0	0	1 044	0	1 044	0
Various grants in Nel Hydrogen Electrolyser AS	Norway	0	0	0	253	0	253
US Department of Energy Research Grants	United States	16 567	6 214	0	0	16 567	6 214
US Department of Defense Research Grants	United States	46	929	0	0	46	929
Various grants in Proton OnSite	United States	4 060	5 670	0	0	4 060	5 670
Total		30 363	23 420	15 064	8 814	45 427	32 234
Revenue recognized from amortized part of deferred revenue	Denmark	5 498	3 794				
Total		35 861	27 214				

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

Note 6 Employee benefits

(Amounts in NOK thousands)

PERSONNEL EXPENSES	2018	2017
Salaries	143 542	94 193
Social security tax	12 243	7 140
Pension expense	7 831	5 113
Other payroll expenses*	19 110	23 574
Total	182 726	130 021

** Included here are expenses amounting to NOK 11 672 thousands (18 873 in 2017) related to the company's stock option- and stock purchase incentive programs.*

Average number of full time employees	221	160
Hereof women	35	28

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 2018	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION*	TOTAL REMUNERATION
Jon André Løkke, CEO**	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***	529	0	64	0	593
Anders Søreng, CTO and SVP Nel Hydrogen Electrolyser	2 850	0	0	976	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	15 138	1 278	928	6 070	23 414

** Other remuneration is mainly related to exercised matching shares*
*** Jon André Løkke has a six months notice period, plus is entitled to six months severence pay*
**** 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

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT 2017	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION	TOTAL REMUNERATION
Jon André Løkke, CEO**	2 532	938	21	422	3 912
Bent Skisaker, CFO	1 906	0	21	422	2 349
David T. Bow, SVP Sales and Marketing***	848	0	18	0	866
Bjørn Simonsen, VP Market Dev & PR	1 103	0	20	422	1 544
Mikael Sloth , VP Business Development	1 324	0	106	0	1 430
Anders Søreng, CTO and SVP Nel Hydrogen Electrolyser	1 580	0	21	422	2 022
Jørn Rosenlund, SVP Nel Hydrogen Fueling	1 647	0	132	0	1 779
Jacob Krogsgaard, SVP Nel Hydrogen Solutions	2 066	517	165	93	2 841
Total	13 007	1 454	503	1 781	16 744

* *Other remuneration is mainly related to exercised matching shares*
** *Jon André Løkke has a six months notice period, plus is entitled to six months severence pay.*
*** *David T Bow has had the role of SVP for sales and marketing since the Proton OnSite acquisition 30.06.2017*

BOARD OF DIRECTORS 2017	REMUNERATION
Hanne Skaarberg Holen - chair of the board	250
Ole Enger	125
Beatriz Malo de Molina	125
Mogens Filtenborg	174
Finn Jebsen	125
Martin Nes - chair of the board until 15.05.2017	98
Eva Dugstad - board member until 15.05.2017	49
Jan Christian Opsahl - board member until 15.05.2017	49
Øystein Stray Spetalen - board member until 15.05.2017	49
Anne Marie Gohli Russel - board member until 15.05.2017	49
Kristin Hellebust - board member until 15.05.2017	49
Total	1 140

The remuneration is on a pro-rata basis for 2017

AUDIT COMMITTEE 2017	REMUNERATION
Hanne Skaarberg Holen - chair of the audit committee	40
Beatriz Malo de Molina	25
Total	65

SHARE OPTION PROGRAM AND MATCHING SHARES

To incentivize and retain key employees, Nel currently have two separate share-based incentive plans. One matching share program and a share option program. The share option program was introduced 2 July 2018 and replaced the matching share program as the share based incentive program. The share option program is groupwide and includes all employees in the group.

Share option program:
A total of 11.8 million share options were granted in a groupwide program comprising all employees in Nel fulfilling certain criteria. Each option, when exercised, will give the right to acquire one share in the Company. The options are granted without consideration. 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. Vesting requires the option holder still to be an employee in the Company. 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. There will be a cap of NOK 5 per option.

The options program is a three year recurring program. The total number of share options outstanding in the share option program shall at any time not exceed 5% of the outstanding shares of the Company, including options already outstanding.

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 is in 2018 replaced by a general share option program, comprising all employees in the Nel Group.

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 utilizes 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 the employee options granted in 2018 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 the latest year 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.

Fair value of the matching shares is equal to the share price at grant date. Further the total fair value of the share-based instruments is amortized 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 recognized 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 or release of the matching shares. 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 recognized for the share-based programs during 2018 was NOK 10.8 million. The total social security accruals during the year was NOK 0.8 million (social security costs on exercised options or released matching shares has been paid in connection with the relevant exercises or releases, hence taken out of the accruals accounts). The total intrinsic value of the company's share-based instruments is NOK 38.3 million at 31 December 2018.

Outstanding instruments year end and movement - Share options and Matching shares

(Number of options/shares in thousands)

	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE STRIKE PRICE	NUMBER OF MATCHING SHARES	WEIGHTED AVERAGE STRIKE PRICE
Outstanding opening balance (01.01.2018)	6 000	3.00	8 618	0
Granted	11 755	3.20	0	0
Exercised	0	0	0	0
Forfeited	-300	3.20	-78	0
Released	0	0	-5 847	0
Outstanding closing balance (31.12.2018)	17 455	3.13	2 692	0
Vested closing balance	6 000	3.00	0	0

Share based instruments granted to Nel group management

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

NAME	NUMBER OF OPTIONS	FIRST POSSIBLE EXERCISE	EXPIRY	STRIKE PRICE (NOK)	STRIKE PRICE AT FIRST POSSIBLE EXERCISE** (NOK)	FAIR VALUE (NOK)	COST OF PERIOD*
Jon André Løkke***	6 000	01.04.2018	No expiry	3.00	3.00	1.72	409
Bent Skisaker	160	01.07.2019	01.07.2022	3.05	3.14	0.53	42
Bent Skisaker	240	01.07.2020	01.07.2022	3.05	3.24	0.65	39
David Bow	160	01.07.2019	01.07.2022	3.05	3.14	0.53	42
David Bow	240	01.07.2020	01.07.2022	3.05	3.24	0.65	39
Bjørn Simonsen	160	01.07.2019	01.07.2022	3.05	3.14	0.53	42
Bjørn Simonsen	240	01.07.2020	01.07.2022	3.05	3.24	0.65	39
Anders Søreng	160	01.07.2019	01.07.2022	3.05	3.14	0.53	42
Anders Søreng	240	01.07.2020	01.07.2022	3.05	3.24	0.65	39
Raluca Leordeanu	160	01.07.2019	01.07.2022	3.05	3.14	0.53	42
Raluca Leordeanu	240	01.07.2020	01.07.2022	3.05	3.24	0.65	39
Jørn Rosenlund	160	01.07.2019	01.07.2022	3.05	3.14	0.53	42
Jørn Rosenlund	240	01.07.2020	01.07.2022	3.05	3.24	0.65	39
Jacob Krogsgaard	160	01.07.2019	01.07.2022	3.05	3.14	0.53	42
Jacob Krogsgaard	240	01.07.2020	01.07.2022	3.05	3.24	0.65	39
Other employees	3 462	01.07.2019	01.07.2022	3.05	3.14	0.53	708
Other employees	5 193	01.07.2020	01.07.2022	3.05	3.24	0.65	1 062
Total	17 455						2 750

** cost of period does not include social security*
*** The strike price of the options increase 3% annually*
**** Different structure on Jon André Løkke's options - only one tranche, no increase in strike price*

NAME	NUMBER OF MATCHING SHARES	EXERCISE	EXPIRY	STRIKE PRICE (NOK)	FAIR VALUE (NOK)	COST OF PERIOD*
Jon André Løkke	109	June 2019	June 2019	-	2.56	374
Bent Skisaker	109	June 2019	June 2019	-	2.56	410
Bjørn Simonsen	109	June 2019	June 2019	-	2.56	374
Anders Søreng	109	June 2019	June 2019	-	2.56	374
Jørn Rosenlund	109	June 2019	June 2019	-	2.56	385
Jacob Krogsgaard	109	June 2019	June 2019	-	2.56	277
Other employees	2 037	June 2019	June 2019	-	2.56	5 813
Total	2 692					8 008

INPUT PARAMETERS FOR BLACK-SCHOLES OPTION PRICING MODEL FOR JON ANDRÉ LØKKE SHARE OPTIONS :	
Number of options granted:	6 000 000
Grant Date:	4 January 2016
Share price (spot):	NOK 4.67
Strike price:	NOK 5.46
Amendment date:	*30 August 2016*
Share price (spot):	NOK 2.44
Strike price:	NOK 3.00
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 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

Share options in Proton OnSite converted to options in Nel ASA as part of the acquisition 30 June 2017
Number of options granted at acquisition: 10 276 636 (All options were fully vested as of 30 June 2017)
Options exercised during 2018: 5 138 317
Of the 5 138 317 remaining options 3 490 864 become exercisable on 31 March 2019, and the remaining 1 647 453 options become exercisable 30 June, 2019. The options are exercisable for 90 days after exercise date.
Strike price (average): NOK 0.73

David Bow, member of Nel group management, owns 666 341 of the remaining options. He exercised 666 342 share options during 2018.

Note 7 Related parties

There were no significant transactions with related parties during the year ended 31 December 2018.

See also note 19 for transactions with associated companies and joint ventures.

Note 8 Specification of operating expenses

(Amounts in NOK thousands)

SPECIFICATION OF OTHER OPERATING EXPENSES:	2018	2017
Electricity	6 683	4 569
Office premises etc.	14 525	9 873
Rental costs	800	395
Administrative and other expenses	49 422	25 182
Professional fees	36 879	26 328
Patent expenses	446	368
Travel expenses	18 566	11 022
IT and communication expenses	10 625	7 272
Laboratory expenses	1 422	954
Total other operating expenses	139 369	85 961

FEES TO THE AUDITOR	2018	2017
Statutory auditing services	2 508	1 512
Attestation services	171	979
Non-auditing services	1 217	1 270
Total	3 896	3 762

Amounts are exclusive VAT

The group incurred NOK 0.8 million in 2018 of auditing services provided by company other than EY, the group auditor.

Note 9 Taxes

(Amounts in NOK thousands)

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2018	2017
Nominal tax rate	*23 %*	*24 %*
Loss before tax	-197 503	-124 447
Tax estimated on this year's loss	-45 426	-29 867
Tax effect of:		
Tax rates different from Norway	337	-312
Permanent differences	-495	-1 839
Change in tax rates recognized in temporary differences	4 939	-48 642
Change in deferred tax	-3 166	0
Change in not recognized deferred tax assets (tax liabilities)	30 855	10 715
Currency translation differences	3 581	-2 055
Other differences	697	0
Total income tax expense (income)	-8 676	-72 000
Income tax expense (income) comprises		
Income tax payable	581	0
Change in deferred tax	-9 257	-72 000
Total income tax expense (income)	-8 676	-72 000
Specification of temporary differences:		
Receivables	-1 743	-1 500
Customers contracts	0	4 862
Intangible assets	398 533	388 686
Tangible assets	4 005	8 799
Inventory and work in progress	31 086	20 561
Warranties	-13 916	-7 811
Grants	-27 161	0
Other accruals	-25 586	-6 930
Tax losses carry forward	-882 847	-730 505
Basis for deferred tax asset	-517 630	-323 838
Net deferred tax asset	-115 239	-83 856
Deferred tax asset not recognized in statement of financial position	-184 720	-152 129
Deferred tax liability in the statement of financial position	69 481	68 273
Changes in recognized deferred tax liability		
As of 01.01	68 273	13 552
Recognized in the income statement	-9 257	-72 000
Acquisition Proton OnSite	0	129 283
Translation differences on deferred taxes	3 581	-2 055
Effect of change in tax rates	4 939	0
Other	1 945	-507
As of 31.12	69 481	68 273

The majority of the deferred tax asset is related to tax loss carry forward. As of 31 December 2018 it is considered not to be likely that the deferred tax asset can be utilized in near future, therefore no deferred tax asset has been capitalized.

At the end of 2017 a new tax act was adopted in the US that reduced the corporate tax rate from 38% to 21%, effective from January 1, 2018. This change in the corporate tax rate alone represents a positive effect of NOK 53.2 million (out of total positive tax income of NOK 72.0 million) in 2017. The NOK 53.2 million tax income is a result of a reduced deferred tax liability related to the excess values allocated to identifiable intangible assets in the purchase price allocation of the Proton acquisition.

Note 10 Long term debt and pledges

(Amounts in NOK thousands)

LONG TERM LOANS - LENDER	LEGAL ENTITY	MATURITY	INTEREST RATE	2018	2017
1) Innovasjon Norge	Nel Hydrogen Electrolyser AS	July 2019	5.75 %	833*	1 250
2) Nykredit - Industriparken 34	Nel Hydrogen A/S	2038	0.26 %	5 100	5 288
3) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0.36 %	18 781	0
4) Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0.27 %	6 320	0
5) Nykredit - Vejlevej 3	Nel Hydrogen A/S	2028	0.30 %	1 826	0
Total long term loans				32 026	6 538

** classified as current liability since due in less than 12 months. Amount is not part of the total below.*

LONG TERM WARRANTIES		2018	2017
Warranty obligations on delivered projects	12-24 months after delivery	6 876	7 672
Other warranty obligations		0	196
Total long term warranties		6 876	7 868
OTHER LONG TERM DEBT			
Notes payable to shareholder		10 162	15 910
Deferred rent		3 836	3 807
Deferred revenue from grants		48 941	39 167
Other long term debt		4 619	0
Total other long term debt		67 558	58 884
Total long term debt		106 460	73 290

MATURITY ANALYSIS FOR LONG TERM LOANS:	2019	2020	2021	2022	2023<	TOTAL
1) Innovasjon Norge	833	0	0	0	0	833
2-5) Nykredit	1 757	1 763	1 769	1 776	24 960	32 026
Estimated interest cost *	613	541	509	475	3 265	5 403
Total long term loans & interest payments	3 204	2 304	2 278	2 251	28 225	38 263

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

CARRYING AMOUNT OF ASSETS THAT ARE PLEDGED	2018	2017
Account receivables	7 410	12 001
Fixed assets	9 083	654
Inventory	9 342	22 159
Building	49 680	5 288
Total	75 515	40 101

GUARANTEES	2018	2017
Bank guarantees	280	3 925

The bank guarantee applies to advance payments from customers.

CASH CREDIT FACILITIES	2018	2017
Cash credit limits:	2 664	2 644

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long term fixed rate and variable rate receivables/borrowings are evaluated by the group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

The fair values of the group's interest-bearing borrowings and loans are estimated not to be significant from nominal value thus fair value is equal.

Note 11 Intangible assets

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	CUSTOMER CONTRACT	GOODWILL	TOTAL
Acquisition cost as of 01.01.2017	67 004	35 684	9 600	318 096	430 383
Acquisition Proton OnSite	261 689	59 043	19 489	257 698	597 918
Additions	35 351	0	0	0	35 351
Reclassification of grants	39 167	0	0	0	39 167
Currency effects	-871	-925	-503	16 409	14 110
Acquisition cost as of 31.12.2017	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	33 426
Acquisition cost as of 31.12.2018	478 250	96 422	28 261	609 304	1 212 238
Accumulated depreciation at 01.01.2017	4 513	4 261	9 600	0	18 374
Depreciation	4 829	3 569	0	0	8 398
Impairment	0	0	0	467	467
Currency effects	-193	-7	0	0	-200
Accumulated depreciation and impairment as of 31.12.2017	9 150	7 823	9 600	467	27 040
Depreciation	32 011	11 799	9 250	0	53 060
Reversed depreciation disposals	-641	0	0	0	-641
Currency effects	178	0	0	0	178
Accumulated depreciation and impairment as of 31.12.2018	56 210	27 271	28 261	467	112 209
Carrying amount as of 31.12.2017	377 677	78 329	9 575	591 735	1 057 317
Carrying amount as of 31.12.2018	422 040	69 151	0	608 837	1 100 029
Useful life	7 -15 years	7 -10 years	1 year	no depreciation	
Depreciation plan	Straight-line	Straight-line	Straight-line		

The increase of goodwill in 2017 relates to the acquisition of Proton OnSite (CGU Electrolyser US) that added goodwill of NOK 257.7 million. See note 21, business combinations for more details.

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES - IMPAIRMENT CONSIDERATIONS

The group performed its annual impairment test in December 2018 and 2017, respectively. The group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As of 31 December 2018, the market capitalization of the group was approximately 4.0 times above the book value of equity, indicating no impairment of goodwill and impairment of the assets. In 2017 the market capitalization was 2.4 times above the book value of equity.

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 & Solutions and a recoverable amount has been calculated for these three CGUs. The recoverable amount is based on a value-in-use calculation, using cash flow projections of the CGUs which are based on the future expectations reflected in the current budget and strategy over the next 5 year period. The budget and strategy forecasts are approved by the board. Terminal value is included in the calculations. Estimates and pertaining assumptions are made to the best of the management's knowledge of historical and current events, experience and other factors that are deemed reasonable in the circumstances.

The impairment test is prepared based on input from management, but is prepared by independent third party company. The major input is the board approved budget for 2019 and financial projections for the period 2020-2023 as well as the corporate strategy for 2019-2023.

The calculations of value-in-use for CGU Electrolyser US, CGU Electrolyser Norway and CGU Fueling & Solutions 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 discount rate.

CGU ELECTROLYSER US

Allocated goodwill is NOK 268.1 million, intangible assets is NOK 309.5 million and other net assets is NOK 96.5 amounting to a carrying value for this CGU of NOK 674.2 million.

The growth in the terminal values for CGU Electrolyser US is 2.0%, in accordance with the long-term inflation target set by the Federal Reserve.

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 +/-4% in EBITDA margin and +/-2% in WACC.

"Headroom" sensitivty *(amounts in NOK million)*		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	-160.9	114.6	390.1	665.6	941.1
	-1.0%	-264.2	-32.5	199.1	430.7	662.4
	0.0%	-339.7	-140.3	**59.1***	258.5	457.8
	1.0%	-397.2	-222.5	-47.8	126.9	301.6
	2.0%	-442.3	-287.1	-131.9	23.3	178.4

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

Revenue forecasts are based on existing customer contracts and anticipated developments within the markets the CGU operates in. Forecasted revenues are dependent on the assumptions underlying, and changes in assumptions will affect the future value of the unit. It should be emphasized that the impairment test is based on an assumption of growth from 2019-2024. In addition, the EBITDA margin is expected to improve gradually throughout the period to a level deemed reasonable and achievable.

Changes in assumptions from last year
The forecasted revenues and EBITDA margin going forward, as of 31 December 2018, have been lowered compared to 31 December 2017 and 31 December 2016. In the long run, the group is of the opinion that the potential and projections for the industry and Electrolyser US are unchanged or improved. The forecasted revenues and EBITDA margin going forward, as of 31 December 2018, have been lowered compared to 31 December 17 and 31 December 2016.

In the long run, management is of the opinion that the potential and projections for the industry and Electrolyser US are unchanged or improved. However, increased insight into the business following the transaction has given an understanding that growth in revenues comes somewhat later.

An estimated WACC of 9.6% is used in the impairment calculation for the CGU Electrolyser US.

CGU ELECTROLYSER NORWAY

Allocated goodwill is NOK 61.3 million, intangible assets is NOK 92.7 million and other net assets is NOK 22.6 amounting to a carrying value for this CGU of NOK 176.6 million.

The growth in the terminal values for CGU Electrolyser Norway is 2.0%, in accordance with the long-term inflation target set by the Norwegian Central Bank.

A sensitivity analysis has been carried out, which indicates low to moderate sensitivity to changes in WACC and EBITDA margin. The range is +/-4% in EBITDA margin and +/-2% in WACC. The estimated equity value is higher than the carrying value of assets.

"Headroom" sensitivty *(amounts in NOK million)*		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	720.6	1 139.3	1 558.0	1 976.7	2 395.3
	-1.0%	510.4	856.2	1 202.0	1 547.8	1 893.7
	0.0%	361.9	656.0	**950.1***	1 244.2	1 538.3
	1.0%	251.7	507.2	762.7	1 018.2	1 273.7
	2.0%	166.9	392.5	618.1	843.6	1 069.2

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

Revenue forecasts are based on existing customer contracts and anticipated developments within the markets the CGU operates in. Forecasted revenues are dependent on the assumptions underlying, and changes in assumptions will affect the future value of the unit. It should be emphasized that the impairment test is based on an assumption of growth from 2019-2024. In addition, the EBITDA margin is expected to decrease next year before it will gradually increase throughout the period and stabilize on a level deemed reasonable and achievable.

Changes in assumptions from last year
The forecasted revenue growth as of 31 December 2018 is higher than the revenue growth forecasted as of 31 December 2017, while forecasted EBITDA-margin is at a lower level as of 31 December 2018. The positive changes in revenue projections are primarily due to more revenue arising from the Nikola framework contract and strong pipeline, also containing multiple larger scale projects.

An estimated WACC of 8.9% is used in the impairment calculation for the CGU Electrolyser NO.

CGU FUELING & SOLUTIONS

Allocated goodwill is NOK 279.4 million, intangible assets is NOK 87.1 million and other net assets is NOK 107.5 million amounting to a carrying value for this CGU of NOK 474.0 million.

The growth in the terminal value for CGU Fueling is 2.0 %, in accordance with the long-term inflation target set by the Danish Central Bank.

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 +/-4% in EBITDA and +/-2% in WACC.

"Headroom" sensitivty (amounts in NOK million)		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
	-2.0%	467.8	987.5	1 507.1	2 026.8	2 546.4
	-1.0%	209.5	605.9	1 002.2	1 398.6	1 795.0
CHANGES IN WACC	0.0%	46.2	364.4	**682.6***	1 000.8	1 319.0
	1.0%	-65.8	198.5	462.8	727.0	991.3
	2.0%	-147.2	77.7	302.7	527.6	752.5

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

Revenues are based on existing customer contracts and anticipated developments within the markets the CGU is in. Operating revenues are dependent on the assumptions underlying, and changes in assumptions will affect the future value of the unit. Annual revenues are expected to increase in 2018 and onwards. It should be emphasized that the impairment test is based on an assumption of growth from 2019-2024. In addition, the EBITDA margin is expected to improve gradually throughout the period to a level deemed reasonable and achievable.

Changes in assumptions from last year
The forecasted revenue growth as of 31 December 2018 are lower in 2020 and 2021 than the revenue growth forecasted as of 31 December 2017, and forecasted EBITDA-margins is also at a lower level compared to last year's forecast. Changes in projections are primarily due to a slower than expected Light Duty Vehicle market growth leading to expected growth and margins materializing slightly later than previously anticipated.

An estimated WACC of 7.5% is used in the impairment calculation for the CGU Fueling & Solutions.

Note 12 Property, plant and equipment

(Amounts in NOK thousands)

	OFFICE MACHINES AND OTHER EQUIPMENT	PRODUCTION EQUIPMENT	BUILDINGS	TECHNICAL INSTALLATIONS	TOTAL
Acquisition cost as of 01.01.2017	645	972	43 140	2 731	47 488
Acquisition Proton	16 546	12 386	0	0	28 932
Additions	1 565	3 367	29 031	2 585	36 548
Reclassification	-1 909	0	0	-52	-1 961
Currency effects	-303	-150	4 821	554	4 922
Acquisition cost as of 31.12.2017	16 545	16 575	76 991	5 818	115 930
Additions	7 699	13 192	27 984	-333	48 542
Disposals	-1 738	0	0	0	-1 738
Reclassification	0	-6 671	6 671	0	0
Currency effects	358	1 152	1 971	-7	3 474
Acquisition cost as of 31.12.2018	22 863	24 248	113 618	5 479	166 208
Accumulated depreciation at 01.01.2017	341	250	726	367	1 685
Acquisition Proton	8 641	5 391	0	0	14 032
Depreciation	989	1 170	1 038	539	3 736
Currency effects	-135	-73	173	312	277
Accumulated depreciation as of 31.12.2017	9 837	6 738	1 937	1 218	19 730
Depreciation	3 540	3 424	4 423	22	11 410
Reversed depreciation disposals	-1 738	0	0	0	-1 738
Currency effects	58	550	710	105	1 423
Accumulated depreciation as of 31.12.2018	11 697	10 713	7 070	1 345	30 825
Carrying amount as of 31.12.2017	6 708	9 837	75 055	4 600	96 198
Carrying amount as of 31.12.2018	11 167	13 535	106 548	4 133	135 383
Useful life	3-5 years	3-8 years	30-40 years	15-20 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	

Impairment considerations is covered in note 11 Intangible assets.

Note 13 Inventory

(Amounts in NOK thousands)

	2018	2017
Finished goods	5 165	33 070
Work in progress	36 312	36 904
Raw material	94 196	69 570
Allowance for obscolete inventory	-869	-821
Total inventory	134 804	138 723

Inventory is valued at the lowest of cost and net selling price. As of 31 December 2018 inventory is measured at cost.

Note 14 Cash and cash equivalents

(Amounts in NOK thousands)

	2018	2017
Cash and cash equivalents	347 903	288 543
Restricted bank deposits for employees' withheld taxes at 31.12	1 844	1 452
Other restricted bank accounts	0	5 005
Total cash and cash equivalents	349 747	295 000

Note 15 Share capital and shareholders

As of 31 December 2018 the group's share capital was NOK 222.7 million, consisting of 1 113 551 382 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 31.12.2018	COUNTRY	NUMBER OF SHARES	OWNERSHIP
CLEARSTREAM BANKING S.A.	Luxembourg	132 190 384	11.87 %
F9 INVESTMENTS LLC	United States	96 138 713	8.63 %
H2 HOLDING APS	Denmark	63 377 778	5.69 %
VERDIPAPIRFONDET ALFRED BERG GAMBAK	Norway	44 803 671	4.02 %
NORDEA BANK ABP	Denmark	28 233 438	2.54 %
NORDNET LIVSFORSIKRING AS	Norway	22 375 012	2.01 %
UBS SWITZERLAND AG	Switzerland	20 184 773	1.81 %
NORDNET BANK AB	Sweden	14 714 784	1.32 %
ELMO HOLDING AS	Norway	11 700 000	1.05 %
STOREBRAND NORGE I VERDIPAPIRFOND	Norway	11 301 842	1.01 %
SIX SIS AG	Switzerland	10 160 858	0.91 %
LMS HOLDCO AS	Norway	9 800 000	0.88 %
NETFONDS LIVSFORSIKRING AS	Norway	7 616 279	0.68 %
JEMO INVEST AS	Norway	7 600 000	0.68 %
MAMY INVEST AS	Norway	7 000 000	0.63 %
STOREBRAND VEKST VERDIPAPIRFOND	Norway	6 672 570	0.60 %
STATOIL PENSJON	Norway	5 970 389	0.54 %
DANSKE BANK A/S	Denmark	5 845 119	0.52 %
PNC INTERNATIONAL EQUITY FUND	United States	5 694 218	0.51 %
AVANZA BANK AB	Sweden	5 434 685	0.49 %
Total 20 largest shareholders		516 814 513	46.41 %
Total remaining shareholders		596 736 869	53.59 %
Total number of shares		1 113 551 382	100.00 %

Nel ASA owns 4 563 treasury shares.

SHARES OWNED BY BOARD OF DIRECTORS	ASSIGNMENT	NUMBER OF SHARES	OWNERSHIP
Hanne Skaarberg Holen	Chair of the Board	264 966	0.02 %
Ole Enger	Board member	144 955	0.01 %
Beatriz Malo de Molina	Board member	0	0.00 %
Mogens Filtenborg*	Board member	1 813 493	0.16 %
Finn Jebsen**	Board member	310 620	0.03 %
Total		2 534 034	0.23 %

* *Consisting of shares held through Zuns ApS*
** *Consisting of shares held through Fateburet AS*

SHARES OWNED BY MANAGEMENT	ASSIGNMENT	NUMBER OF SHARES	OWNERSHIP
Jon André Løkke	CEO	946 735	0.09 %
Bent Skisaker	CFO	440 000	0.04 %
David T. Bow	SVP Sales and Marketing	0	0.00 %
Bjørn Simonsen*	VP Investor Relations and Corporate Communication	1 867 504	0.17 %
Raluca Leordeanu	VP Business Development	0	0.00 %
Anders Søreng***	CTO and SVP Nel Hydrogen Electrolyser	440 000	0.04 %
Jørn Rosenlund	SVP Nel Hydrogen Fueling	500 000	0.04 %
Jacob Krogsgaard**	SVP Nel Hydrogen Solutions	21 849 495	1.96 %
Total		26 043 734	2.34 %

* *Consisting of shares held through Simonsen Invest AS*
** *Jacob Krogsgaard owns 226 332 shares personally. In addition, he owns a 25% share of H2 Holding ApS that owns in total 86 492 653 shares.*
*** *Consisting of shares held through A.S. Consulting Gjøvik AS*

Refer to note 6 - Employee benefits, for informations of options and subscription rights granted to management.

There were no dividends paid out in 2018 or 2017.

Note 16 Lease commitments

The group has entered into the following lease agreements of significance:

(Amounts in NOK thousands)

RENTAL/LEASE AGREEMENTS	ENTITY	MATURITY	2019	2020-2024	2024 <
Rent at Heddalsvegen 11, Notodden, Norway	Nel Hydrogen Electrolyser AS	July 2019	388	0	0
Rent at Karenslyst allé, Oslo, Norway	Nel ASA	November 2021	692	1 351	0
Rent - Wallingford, CT. USA (Hworld)	Proton Energy Systems Inc	July 2024	7 713	36 643	0
Rent - San Leandro, CA. USA (VPS Marina)	Nel Hydrogen Inc	October 2020	1 042	869	0
Operational lease agreements:					
Office machines	Nel Hydrogen Electrolyser AS	January 2021	20	42	0
Service cars	Nel Hydrogen Electrolyser AS	November 2022	94	267	0
IT systems	Nel Hydrogen A/S	October 2019	799	0	0
Service cars	Nel Hydrogen A/S	Mar 19 - Sep 21	499	484	0
Office machines	Nel Hydrogen A/S	Dec 20 - Mar 22	26	53	0
Office machines	Proton Energy Systems Inc	January 2021	188	188	0
Total			11 462	39 895	0

Note 17 Trade receivables

As of 31 December the ageing analysis of trade receivables is as follows:

			PAST DUE BUT NOT IMPAIRED				
	TOTAL	NEITHER PAST DUE NOR IMPAIRED	<30 DAYS	30-60 DAYS	61-90 DAYS	91-180 DAYS	>180 DAYS
2017	98 747	20 264	36 476	7 941	3 928	24 970	5 166
2018	110 403	46 105	28 658	5 814	3 068	22 298	4 460

BAD DEBTS:	2018	2017
Allowance for bad debts	1 743	1 955

Trade receivables are non-interest bearing and are generally due 30 to 60 days after invoice is issued.

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

Note 18 Other current assets and liabilities

(Amounts in NOK thousands)

SPECIFICATION OF OTHER CURRENT ASSETS:	2018	2017
Work in progress, net receivable	5 140	30 814
VAT net receivable	3 545	2 806
Prepayments	28 523	12 333
Other current assets	6 237	7 816
Total other current assets	43 445	53 768

SPECIFICATION OF OTHER CURRENT LIABILITIES:	2018	2017
Credit facilities	414	305
Work in progress, net payable	11 964	72 767
Vacation allowance and other salary related accruals	23 191	21 069
Fair value of currency contracts	4 552	0
Accrued warranty	8 684	5 734
Deferred revenue	55 094	40 079
Other current liabilities	9 147	6 003
Total other current liabilities	113 046	145 957

Note 19 Investments in associated companies and joint ventures

(Amounts in NOK thousands)

					ACQUISITION COST		CARRYING VALUES	
COMPANY:	COUNTRY	SEGMENT	OWNERSHIP		2018	2017	2018	2017
Sagim SAS	France	Electrolyser	37,03 %	Associate	100	100	100	100
Glomfjord Hydrogen AS	Norway	Electrolyser	28,57 %	Associate	200	200	200	200
Uno-X Hydrogen AS	Norway	Fueling & Solutions	39,00 %	Joint venture	25 533	15 737	14 595	7 826
Danish Hydrogen Fuel A/S*	Denmark	Fueling & Solutions	51,50 %	Associate	16 144	16 144	0	0
Hyon AS	Norway	Fueling & Solutions	33,33 %	Joint venture	3 050	1 510	1 325	1 059
Nel Deokyang Co. Ltd**	South Korea	Fueling & Solutions	50,00 %	Joint venture	0	7 124	0	6 898
Íslenska Vetnisfélagið	Iceland	Fueling & Solutions	10,00 %	Joint venture	2 347	409	2 231	409
Total					47 374	41 224	18 451	16 492

* *shareholders agreement states that no owner can vote for more than 49.99% of the votes, entity considered to be an associate.*
** *during 2018 Nel acquired the remaining 50% of shares, renamed company Nel Korea Co. Ltd that is now a fully owned subsidiary (see note 20)*

During 2017, the group entered into three joint venture agreements. Hyon AS that primarily targets the maritime transportation sector was established together with Hexagon Composites ASA and Powercell Sweden AB, each party owns an equal 33.33% share of the company.

Nel Deokyang Co. Ltd that targets the South Korean hydrogen market was established together with Deokyang Co. Ltd were each party owned 50% of the company. The agreement stated that the company was operated as a joint venture.

In connection with the Skeljungur project it is established a joint venture in Iceland that will operate the fueling stations installed there. This joint venture is in operation from 2018. No expenses was incurred in 2017.

Sagim SAS and Glomfjord Hydrogen AS do not have significant activity in 2018.

KEY FIGURES FROM SIGNIFICANT JOINT VENTURES/ASSOCIATES	UNO-X HYDROGEN AS	
	2018*	2017
Current assets	16 341	2 421
Non-current assets	56 376	43 658
Current liabilities	7 960	7 777
Non-current liabilities	54 991	45 353
Equity	9 766	-7 051
Group's carrying amount of the investment	14 595	7 826
Revenues	2 078	303
Depreciations	3 897	1 779
Other costs	3 835	3 086
Net financial items	-1 529	-922
Loss before tax	-7 183	-5 485
Tax costs	0	0
Net loss	-7 183	-5 485
Group's share of loss for the year	-2 801	-2 139
Elimination of internal profit related to sale to Uno-X Hydrogen AS**	-79	-3 443
Share of loss from an associate	-2 880	-5 582

* *Statutory accounts for 2018 are not approved.*
** *Sale from Nel Hydrogen A/S to Uno-X Hydrogen AS is recognized with 100 % in sales income in the consolidated statement of comprehensive income, and the elimination of internal profit related to the sales is included in the share of loss from an associate under the net financial items in the consolidated statement of comprehensive income.*

The entities Danish Hydrogen Fuel A/S, Sagim SAS, Glomfjord Hydrogen AS, Hyon AS and Íslenska Vetnisfélagið are not considered to be significant.

	SAGIM SAS	GLOMFJORD HYDROGEN AS	DANISH HYDROGEN FUEL AS	UNO-X HYDROGEN AS	HYON AS	NEL DEOKYANG CO.LTD*	ÍSLENSKA VETNISFÉLAGIÐ	TOTAL
As of 01.01.2018	100	200	0	7 826	1 059	6 898	409	16 492
Added capital in 2018	0	0	0	9 649	1 540	0	1 938	13 127
Share of loss from associate/joint venture	0	0	0	-2 880	-1 274	-462	-116	-4 732
Change in ownership	0	0	0	0	0	-6 436	0	-6 436
As of 31.12.2018	100	200	0	14 595	1 325	0	2 231	18 451

Note 20 Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

COMPANY	LOCATION	MAIN OPERATIONS	CONSOLIDATED FROM:	OWNERSHIP/ VOTES 2018	OWNERSHIP/ VOTES 2017
Nel Hydrogen Electrolyser AS	Notodden, Norway	Alkaline electrolyzers	01.10.2015	100 %	100 %
Nel Hydrogen A/S	Herning, Denmark	Hydrogen fueling stations	01.07.2015	100 %	100 %
Nel Fuel AS	Oslo, Norway	Investment/ ownership		100 %	100 %
Proton Energy Systems Inc	Wallingford, Connecticut, USA	PEM electrolyzers	01.07.2017	100 %	100 %
Nel Korea Co. Ltd	Seoul, South Korea	Service of H2 stations	01.07.2018	100 %	100 %

During 2018 Nel ASA acquired the remaining 50% of the shares in Nel Deokyang Co. Ltd making it a fully owned subsidiary of Nel ASA. The entity was renamed to Nel Korea Co. Ltd and is consolidated in the Nel group from 1 july 2018. The purchase price of the remaining 50% of the shares amounted to NOK 6.7 million and equaled the book value of the company. No excess values were allocated in the acquisition.

Note 21 Business combinations

ACQUISITION OF PROTON ONSITE

Nel ASA acquired 100% of the shares in Proton OnSite for a total purchase price and consideration of NOK 519 million. The acquisition was financed through NOK 169 million in cash and NOK 323 million in a share consideration. These shares were issued at NOK 2.30 per share. The transaction was closed on 30 June 2017. In the consolidated balance sheet Proton OnSite is included as from second quarter 2017. In the consolidated profit & loss statement Proton OnSite is included from third quarter 2017.

The transaction represents an increased focus on the hydrogen electrolyzer segment and provides the group with alternative technologies.

(Amounts in NOK thousands)

COST OF BUSINESS COMBINATION	SHARES ACQUIRED	AMOUNT
Agreed purchase price	100 %	519 495
Due to Nel ASA		12 575
Book value equity		38 293
Excess value		468 627
Goodwill pre-acquisition		-
Excess value to be allocated		468 627
Excess value is allocated to:		-
Intangible assets:		
Customer contracts		19 489
Customer relationships		59 043
Technology		261 689
Deferred tax (38%)		-129 284
Total allocated to identifiable intangible assets:		210 937
Goodwill*		257 690

** The acquired goodwill comprises the value of expected synergies and potential for increased market share and revenues. None of the goodwill recognized is expected to be deductible for income tax purposes.*

Note 22 Non-current financial Assets

SPECIFICATION OF OTHER NON-CURRENT FINANCIAL ASSETS	2018	2017
Investment in Nikola Motor Company	42 131	0
Restricted cash*	11 307	9 867
Non-current prepayments	372	294
Other non-current financial assets	73	0
Total other non-current financial assets	53 882	10 161

During 2018 Nel invested USD 5.0 million in Nikola Motor Company, using part of the proceeds from the NOK 281 million private placement made 28 June 2018.

** NOK 11.3 million relates to outstanding irrevocable letters of credit used as assurance for bid and contract performance, these letters of credit mature between 15 May 2019 and 2 March 2024. As of 31 December 2018, the customers had not drawn on the letters of credit.*

Note 23 Earnings per share

Earnings per share is calculated as profit/(loss) attributable to the equity holders of the parent company divided by the average number of shares outstanding.

Diluted earnings per share is affected by the option program for the CEO considered to be “in the money”, matching shares expected to be distributed to employees in 2019, remaining options owned by Proton were personell awarded when Nel acquired Proton OnSite and granted share options from the incentive program introduced during 2018 that are “in the money”.

(Amounts in NOK thousands)

	2018	2017
Net loss attributable to the equity holders of the company and for the purpose of diluted shares	-188 827	-52 447
Weighted average number of shares outstanding for the purpose of basic earnings per share	1 052 852	835 625
Basic earnings per share for loss attributable to the equity holders of the company (NOK)	-0.179	-0.063
Effect of potential dilutive shares:		
Weighted average number of shares outstanding for the purpose of diluted earnings per share	1 075 060	857 899
Diluted earnings per share for loss attributable to the equity holders of the company (NOK)	-0.176	-0.061

Note 24 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 electrolyzers 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 materialize, 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 organization is currently relatively small. There is no guarantee that the group will be able to build a capable organization 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 electrolyzer 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 electrolyzer 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 materialize 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 unauthorized use of Nel's intellectual property is difficult, expensive and time-consuming, and the group may be unable to determine the extent of any unauthorized 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.

Unauthorized 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 349.7 million, as of 31 December 2018. This does not include the NOK 462.7 million in gross proceeds from the private placement completed 30 January 2019.

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, DKK and EUR, 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 group evaluates and secures larger net exposures from contracts in foreign currency by entering forward currency contracts. The risk is considered to be medium.

CURRENCY FLUCTUATION EFFECTS ON NET PROFIT FOR 2018:

(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	-146 443	-188 545	18 854	9 427	-9 427	-18 854
USD	7 647	62 196	-6 220	-3 110	3 110	6 220
EUR	1 102	10 577	-1 058	-529	529	1 058
Effect on net profit			11 577	5 789	-5 789	-11 577
BALANCE SHEET						
NET RECEIVABLES/LIABILITIES IN FOREIGN CURRENCIES						
DKK	-10 463	-13 939	1 394	697	-697	-1 394
USD	5 200	45 181	-4 518	-2 259	2 259	4 518
EUR	2 283	22 535	-2 253	-1 127	1 127	2 253
Effect on net profit			-5 378	-2 689	2 689	5 378
Total effect on net profit			6 200	3 100	-3 100	-6 200

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 potential loss that may arise from any failure in the ability or willingness of a counter party to fulfil its contractual obligations, as and when they fall due. Additionally, competitive pressure and challenging markets may increase credit risk through sales to financially weak customers, extended payment terms and sales into new and immature markets. This could have a significant adverse effect on the Company's business, prospects, financial results and results of operations.

Trade receivables
Customer credit risk is managed by each business unit subject to established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Other receivables are prepaid expenses or accruals. Outstanding customer receivables are regularly monitored. Maximum risk exposure is outstanding receivables of NOK 108.7 million. Nel credit risk is considered to be medium, as claims are mainly against various international companies.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The group does not hold collateral as security. The group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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 electrolyzer 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 is 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 25 Subsequent events

- 30 January 2019: Nel received a purchase order worth USD 6.0 millions from Shell for the delivery of a H2Station® solution for fueling of heavy duty vehicles in the US.
- 30 January 2019: Completed a successful private placement of 84.9 million new shares, at a price per share of NOK 5.45, raising approximately NOK 462.7 million in gross proceeds.
- 10 April 2019: It was approved to issue 12.5 million shares in a subsequent offering, at the same price as in the private placement, which raised NOK 68.1 million in gross proceeds.

Note 26 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 income

(Amounts in NOK thousands)

		Nel ASA	
OPERATING INCOME AND OPERATING EXPENSES	NOTE	2018	2017
Other operating income	4	10 932	6 301
Total operating income		10 932	6 301
Personnel expenses	3	15 931	20 850
Depreciation	7	161	135
Other operating expenses	5	17 474	22 449
Total operating expenses		33 566	43 434
Operating loss		-22 635	-37 133
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Interest income		2 595	2 026
Financial income group		4 419	1 182
Other financial income		0	2 113
Interest expense		151	24
Other financial expenses		273	883
Net financial items		6 590	4 414
Pre-tax loss		-16 045	-32 719
Tax expense	6	0	0
Net loss attributable to equity holders of the company		-16 045	-32 719

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
ASSETS	NOTE	2018	2017
NON-CURRENT ASSETS			
TANGIBLE FIXED ASSETS			
Land, buildings and other property	7	199	210
Machinery, equipment, fixtures and fittings etc.	7	818	207
Total tangible fixed assets		1 017	417
FINANCIAL ASSETS			
Investments in associates	11	3 250	8 834
Investments in group companies	11	1 217 465	1 064 003
Investments in shares or units	12	42 131	0
Loans to group companies		217 327	118 924
Total financial assets		1 480 174	1 191 762
Total non-current assets		1 481 190	1 192 179
CURRENT ASSETS			
RECEIVABLES			
Accounts receivable		222	102
Other current receivables	10	11 795	7 126
Total receivables		12 017	7 228
Cash and cash equivalents	8	282 018	258 219
Total current assets		294 035	265 446
TOTAL ASSETS		1 775 225	1 457 625

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
EQUITY AND LIABILITIES	NOTE	2018	2017
EQUITY			
PAID IN CAPITAL			
Share capital	9	222 710	199 743
Treasury shares	9	-12	-4 136
Share premium	9	1 585 570	1 289 837
Other capital reserves	9	29 946	19 188
Total paid in capital		1 838 215	1 504 632
OTHER EQUITY			
Retained earnings	9	-73 551	-53 406
Total other equity		-73 551	-53 406
Total equity		1 764 663	1 451 226
NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		578	869
Public duties payable		2 646	2 306
Liabilites to group companies		32	0
Other current liabilities	10	7 305	3 225
Total current liabilities		10 562	6 399
Total liabilities		10 562	6 399
TOTAL EQUITY AND LIABILITIES		1 775 225	1 457 625

OSLO, 11 APRIL 2019

THE BOARD OF DIRECTORS OF NEL ASA

Ole Enger
Board member
(Sign)

Hanne Skaarberg Holen
Chair of the Board
(Sign)

Beatriz Malo de Molina
Board member
(Sign)

Mogens Filtenborg
Board member
(Sign)

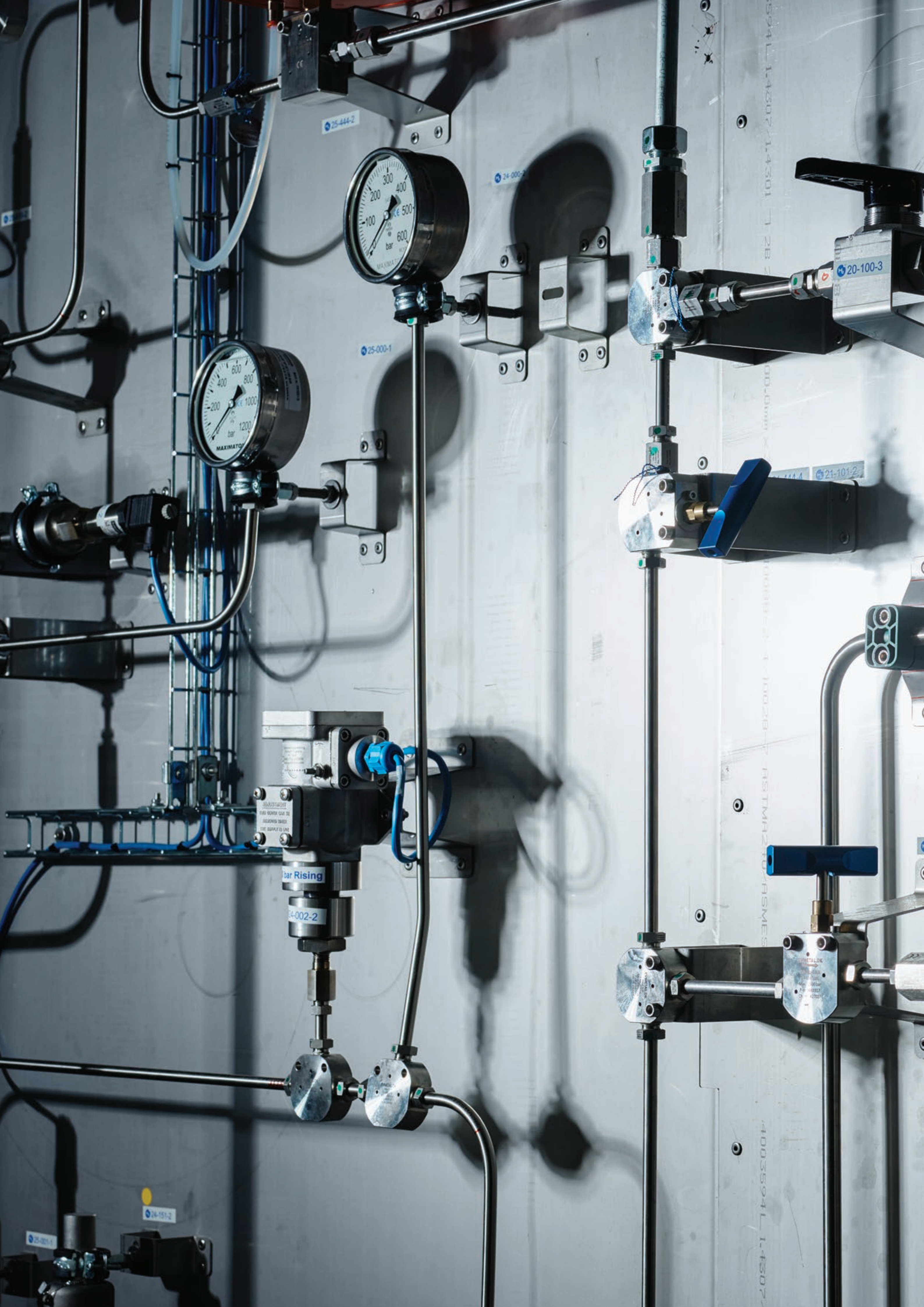
Finn Jebsen
Board member
(Sign)

Jon André Løkke
CEO
(Sign)

Statement of cash flows

(Amounts in NOK thousands)

		Nel ASA	
CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2018	2017
Loss before tax		-16 045	-32 719
Interests cost, reversed		147	24
Interests income, reversed		-7 014	-3 208
Depreciation	7	161	135
Change in provisions		1 612	-11 725
Change in account receivables, group receivables		-120	27 715
Change in trade payable and group payables		-259	-26
Changes in other current assets and other liabilities		-248	-3 509
Net cash flow from operating activities		-21 765	-23 314
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from sale of tangible fixed assets			
Acquisitions of fixed assets	7	-761	-139
Cash outflow investment in shares	12	-42 131	0
Loan given to subsidiaries, associates and joint ventures		-229 453	-101 153
Acquisition of associated companies		-1 540	-8 624
Acquisition of subsidiaries	11	-6 722	-169 220
Net cash flow from investment activities		-280 607	-279 137
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid		-147	-24
Interests received		7 014	3 208
Gross cash flow from share issues		332 259	428 033
Transaction costs related to capital increases		-12 954	-23 623
Treasury shares		0	-4 136
Net cash flow from financing activities		326 172	403 458
Net change in cash and cash equivalents		23 799	101 007
Cash balance as of 01.01	8	258 219	157 212
Cash balance as of 31.12	8	282 018	258 219


25-444-2
24-000-2
20-100-3
25-000-1
21-101-2
bar Rising
24-151-2

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 three divisions: Nel Hydrogen Electrolyser, Nel Hydrogen Fueling and Nel Hydrogen Solutions.

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 11 of April 2019.

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 approved by EU.

Basis for preparation
These financial statements have been prepared on a historical cost basis.

Accounting estimates and judgements
In preparing the financial statements, assumptions and estimates 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 transaction 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 translated 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 recognized in the statement of profit or loss 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 recognized in the statement of income as they are accrued, based on the effective interest method.

Income tax expense
Income tax expense in the statement of income for the year comprises current tax and changes in deferred tax. Income tax expense is recognized in the statement of 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 analyzed 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 recognized within current tax or deferred tax as appropriate.

Deferred tax assets and liabilities are recognized 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 realization 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. For a deferred tax asset to be recognized 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 Employee benefits

(Amounts in NOK thousands)

SALARIES AND PERSONNEL EXPENSES	2018	2017
Salaries	10 146	9 650
Social security tax	2 160	1 581
Pension expense	786	122
Other payroll expenses*	2 839	9 497
Total	15 931	20 850

** Included in this amount are expenses amounting to NOK 2 605 thousands (9 095 in 2017) 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 and Raluca Leordeanu this information is in Note 6 of the Group Financial Statements. The same applies to remuneration to the board of directors.

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 2018 charged NOK 10.9 millions for corporate services provided to its subsidiaries and associates (2017: NOK 6.3 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.

Note 5 Operating expenses

(Amounts in NOK thousands)

SPECIFICATION OF OTHER OPERATING EXPENSES:	2018	2017
Office premises etc.	878	908
Administrative costs	6 463	3 639
Professional fees	8 539	16 739
Travel expenses	1 594	1 164
Other operating expenses	17 474	22 449

AUDITOR FEES

FEES TO THE AUDITOR	2018	2017
Statutory auditing services	1 096	682
Attestation services	0	51
Non-auditing services	657	554
Total	1 753	1 287

Amounts are exclusive VAT.

Note 6 Taxes

(Amounts in NOK thousands)

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2018	2017
Loss before tax	-16 045	-32 719
Permanent differences	5 420	-9 372
Change in temporary differences	-260	-156
The year's taxable income	-10 884	-42 247
Loss before tax	-16 045	-32 719
Tax rate (23% in 2018 and 24% in 2017)	-3 690	-7 853
Tax effect of:		
Permanent differences	1 247	-2 249
Change in temporary differences	0	0
Change in tax loss carry forward due to incorrect treatment of acquisition cost	2 480	0
Change in tax rate effect on deferred tax assets*	4 587	4 589
Change in not recognized deferred tax assets (tax liabilities)	-4 623	5 514
Total income tax expense (income)	0	0

**Change in tax rate from 24% to 23% in 2017 and 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:		
Tangible fixed assets	-625	-865
Provisions for liabilities	-653	-673
Tax losses carry forward	-457 457	-457 354
Basis for deferred tax asset	-458 735	-458 891
Nominal tax rates for next year	22 %	23 %
Deferred tax asset	-100 922	-105 545
Deferred tax asset not recognized in Statement of financial position	-100 922	-105 545
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 2018 it is considered not likely that the tax loss carry forward will be utilized in the near future, therefore the deferred tax assets is not capitalized.

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

(Amounts in NOK thousands)

	OFFICE MACHINES	TECHNICAL INSTALLATIONS	TOTAL
Acquisition cost as of 01.01.2017	185	262	448
Additions	139	0	139
Acquisition cost as of 31.12.2017	324	262	587
Additions	761	0	761
Acquisition cost as of 31.12.2018	1 085	262	1 348
Accumulated depreciation as of 01.01.2017	35	0	35
Depreciation for the year	82	52	135
Accumulated depreciation as of 31.12.2017	117	52	170
Depreciation for the year	161		161
Accumulated depreciation as of 31.12.2018	279	52	331
Carrying amount as of 31.12.2017	207	210	417
Carrying amount as of 31.12.2018	807	210	1 017
Useful life	3 years	5 years	
Depreciation plan	Straight-line	Straight-line	

Note 8 Cash and cash equivalents

(Amounts in NOK thousands)

	2018	2017
Cash and cash equivalents	281 557	257 778
Restricted cash (witheld employee taxes)	462	440
Total cash and cash equivalents	282 018	258 219

Note 9 Share capital and shareholders

(Amounts in NOK thousands)

	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	TREASURY SHARES	RETAINED EARNINGS/ OTHER EQUITY	TOTAL EQUITY
Equity as of 01.01.2017	683 678	136 736	608 817	11 116	0	-25 692	730 977
Increase of capital 2017	315 037	63 007	681 020		-4 136		739 891
Options and share program				8 072		9 213	17 285
Other Changes						-4 208	-4 208
Net loss attributable to equity holders of the company						-32 719	-32 719
Equity as of 31.12.2017	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	0
Options and share program				10 758			10 758
Other Changes			-604			604	0
Net loss attributable to equity holders of the company							0
Equity as of 31.12.2018	1 113 551	222 710	1 585 570	29 946	-12	-56 926	1 781 289

For information of shareholders as of 31 December 2018, shares hold by exectutive management and the board of directors please refer to Note 15 in the consolidated financial statements.

Note 10 Other current assets and liabilities

(Amounts in NOK thousands)

SPECIFICATION OF OTHER CURRENT ASSETS:	2018	2017
VAT net receivable	374	357
Prepayments	367	344
Other current receivables	11 055	6 424
Total other current assets	11 795	7 126

SPECIFICATION OF OTHER CURRENT LIABILITIES:	2018	2017
Vacation allowance and other salary related accruals	1 176	1 360
Fair value of currency contracts	4 552	0
Other current liabilities	1 577	1 865
Total other current liabilities	7 305	3 225

Note 11 Subsidiaries, associates and joint ventures

COMPANY	2018	2017
Nel Hydrogen Electrolyser AS	146 617	144 690
Nel Hydrogen A/S	563 223	427 299
Nel Fuel AS	55	55
Proton Energy Systems Inc	493 200	491 960
Nel Hydrogen Inc	524	0
Nel Korea Co. Ltd	13 846	0
Total	1 217 465	1 064 003

During 2018 Nel ASA acquired the remaining 50% of the shares in Nel Deokyang CO. Ltd making it a fully owned subsidiary of Nel ASA. The entity was renamed to Nel Korea Co. Ltd. The purchase price of the remaining 50% of the shares amounted to NOK 6.7 million and equaled the book value of the company. No excess values were allocated in the acquisition.

The increase in the investment in Nel Hydrogen A/S is mainly due to a debt conversion completed in December 2018 of NOK 131.0 million.

As of 30 june 2017 Nel ASA acquired 100% of the shares in Proton OnSite for a total purchase price and consideration of NOK 519 million. Refer to note 21 in the consolidated financial statements for more details.

				ACQUISITION COST	
COMPANY	COUNTRY	OWNERSHIP		2018	2017
Glomfjord Hydrogen AS	Norway	28,57 %	Associate	200	200
Hyon AS	Norway	33,33 %	Joint venture	3 050	1 510
Nel Deokyang Co. Ltd	South Korea	50,00 %	Joint venture	0	7 124
Total				3 250	8 834

During 2018 Nel ASA has increased its ownership in Nel Korea Co. Ltd, previosly Nel Deokyang Co. Ltd from a joint venture owned 50% to a 100% fully owned subsidiary.

During 2017, the company entered into two joint venture agreements. Hyon AS that primarily targets the maritime transportation sector was established together with Hexagon Composites ASA and Powercell Sweden AB, each party owns an equal 33.33% share of the company.

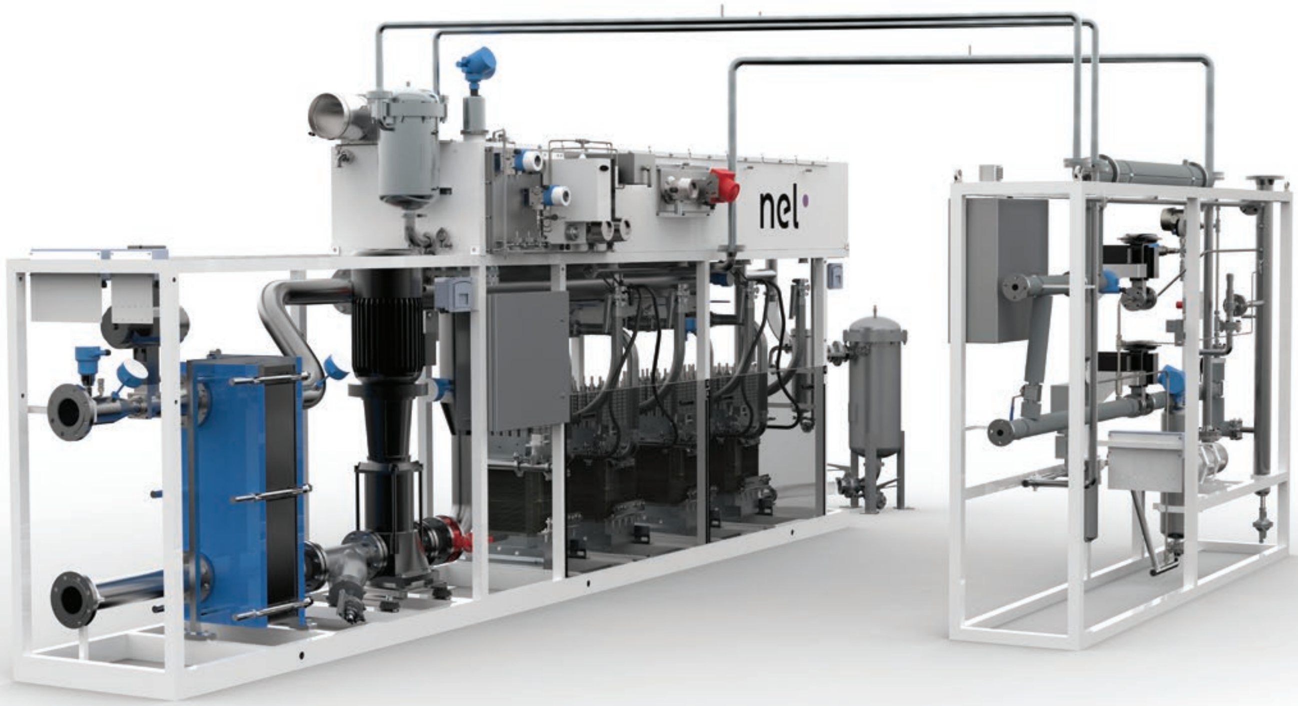
Nel Deokyang Co. Ltd that targets the South Korean hydrogen market was established together with Deokyang Co. Ltd were each party owned 50% of the company. The agreement stated that the company was operated as a joint venture.

Note 12 Other investments

During 2018 Nel invested USD 5.0 million in Nikola Motor Company, using part of the proceeds from the NOK 281 million private placement completed 28 June 2018. The investments is included in the books of NOK 42.1 million as of 31 December 2018.

Note 13 Subsequent events

- 30 January 2019: Completed a successful private placement of 84.9 million new shares, at a price per share of NOK 5.45, raising approximately NOK 462.7 million in gross proceeds.
- 10 April 2019: It was approved to issue 12.5 million shares in a subsequent offering, at the same price as in the private placement, which raised NOK 68.1 million in gross proceeds.



PEM electrolyzer, M Series

Alternative Performance Measures

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

The purpose of APMs is to provide an enhanced insight into the operations, financing and future prospect of the group. Management also uses these measures internally to drive performance in terms of long-term target setting. APMs are adjusted IFRS measures that are defined, calculated, and used in a consistent and transparent manner over the years and across the group where relevant.

Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS.

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES USED BY THE GROUP FOR ENHANCED FINANCIAL INFORMATION

EBITDA: is defined as earnings before interest, tax and depreciation and corresponds to operating profit/(loss) excluding depreciation and impairments.

EBITDA is included as a supplemental disclosure and a key financial figure because management believes the measure provides useful information to identify and analyze the group's operational performance, ability to fund capital, and provides a helpful measure for comparing its operational performance with other companies.

EBITDA is presented and reconciled to operating profit/(loss) (EBIT) on a separate line in note 3 segments.

EBITDA margin: is defined as EBITDA divided by total operating income.

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

EBIT margin: is defined as EBIT divided by total operating income.

Equity ratio: is defined as total equity divided by total assets.

Organic growth: shows like-for-like revenue growth for the group and is defined as the group's reported change in operating revenues adjusted for effects of acquisitions of companies and mergers. In the calculation of organic growth, acquired companies and effect from mergers will be excluded 12 months after the transaction date.

Organic growth illustrates the group's ability to capitalize on the emerging green hydrogen market as well as being innovative in developing new and improved products from its existing business

Order backlog: is defined as firm contracts/ purchase orders received from customers where revenue is yet to be recognized.

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
Fax:
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 2018, 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 2018 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 2018. 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.

Adoption of IFRS 15 – Revenue from contracts with customers

The group implemented IFRS 15 from 2018 with modified retrospective effect. Management assessed the various customer contracts and determined the performance obligations and the transaction price in the contracts. This evaluation concluded that only revenues in the Nel Hydrogen Electrolyser division for service/aftermarket were impacted. For these sales the performance obligation was considered to be fulfilled at point in time at delivery with a cumulative effect on the opening balance of NOK 9 million. The adoption of IFRS 15 was a key audit matter due to the significant change in timing of revenue recognition from sales in the Nel Hydrogen Electrolyser division for service/aftermarket and the complexity related to the adoption of IFRS 15.

Building a better working world

We obtained an understanding of the IFRS 15 adoption process and evaluated the accounting principles applied by management. We tested a sample of contracts from sales in the Nel Hydrogen Electrolyser division for service/aftermarket by agreeing the amounts in the analysis to the prior year's audited consolidated financial statements to assess the cumulative effect. For a sample of revenue recognized in 2018, we obtained evidence that the performance obligation had been satisfied.

We refer to note 2 and 4 of the consolidated financial statements.

Assessment of impairment of goodwill

At 31 December 2018, the recorded amount of goodwill was NOK 608.8 million, 31 % 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, 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 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.

Building a better
working world

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, 12 April 2019
ERNST & YOUNG AS

Petter Larsen
State Authorised Public Accountant (Norway)

info@nelhydrogen.com
+47 23 24 89 50

Office address:
Karenslyst allé 20, PB 199 Skøyen,
0212 Oslo, Norway