Nel ASA

Q1 2018 interim report

Highlights of the quarter

- Nel ASA (Nel) reported revenues in the first quarter 2018 of NOK 112.5 million, up from NOK 35.7 million in Q1 2017, mainly following the acquisition of Proton Energy Systems Inc. (Proton OnSite) as per 30 June 2017.
    - Growth in Q1 2018 of 47% on a like-for-like proforma basis, including Proton Onsite
    - Underlying organic growth in Q1 2018 of 58% excluding Proton OnSite
- Order backlog ended at approximately NOK 410 million
- Cash balance of NOK 250.8 million (Q1 2017: 142.9)
- Entered into a contract for a H2Station® fueling solution for SSAB EMEA AB in Sweden

Subsequent events

- Received an additional purchase order of USD 5.5 million from Nikola, as part of previously announced hydrogen station agreement
- H2Station® achieved the world's first UL system certification of a hydrogen fuel dispensing system station
- Announced the decision to halt further work under the agreement with H2V PRODUCT

Key figures

KEY FIGURES *(Unaudited amounts in NOK million)*	**2018** Q1	**2017** Q1	**2017*** Full year	**2016** Full year
Operating revenue	112.5	35.7	298.4	114.5
Total operating expenses	144.3	51.3	415.6	169.8
EBITDA	-15.8	-13.0	-81.2	-44.9
Operating loss	-31.9	-15.6	-117.2	-55.3
Pre-tax loss	-32.9	-16.2	-124.4	-62.6
Net loss	-30.1	-15.6	-52.4	-55.8
Net cash flow from operating activities	-37.9	-14.0	-113.0	-34.2
Cash balance end of period	250.8	368.3	295.0	225.5

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

Financial development

Nel reported revenues in the first quarter 2018 of NOK 112.5 million (Q1 2017: 35.7 million), following the integration of Proton Onsite as of 30 June 2017, and an increased interest in hydrogen solutions like fueling stations, electrolyzers as well as integrated systems. The underlying organic revenue growth in the quarter was 58%, excluding Proton OnSite.

At the end of the first quarter 2018, Nel had an order book of approximately NOK 410 million.

Costs of goods sold increased to NOK 58.5 million (19.3). Wage- and social cost expenses amounted to NOK 42.5 million (18.2), and other operating costs increased to NOK 27.2 million (11.2). The increased cost level follows the integration of Proton Onsite, increased business development activities and considerable growth initiatives.

Depreciation increased to NOK 16.1 million (2.6). The increase is mainly a result of the depreciation of intangible assets related to technology, customer contracts and -relationships arising from the purchase price allocation (PPA) related to the acquisition of Proton Onsite.

Operating loss ended at NOK -31.9 million (-15.6), while the EBITDA ended at NOK -15.8 million (-13.0).

The non-cash costs for the stock option- and share incentive program, which are included in wages and social costs, were NOK 3.2 million in the quarter and are currently expected at an average of approximately NOK 2-3 million per quarter going forward.

Share of loss from associates and joint ventures of NOK -1.2 million is mainly related to ownership in, and elimination of profit from sales to Uno-X Hydrogen AS, where Nel has a 39% ownership.

Reported pre-tax loss was NOK -32.9 million (-16.2) and the net loss for the quarter was NOK -30.1 million, compared to a loss of NOK -15.6 million in the same quarter last year. Total assets were NOK 1 650.1 million at the end of the quarter, compared to NOK 1,725.7 million at the end of the first quarter of 2017. Total equity was NOK 1 344.3 million. Thus, the equity ratio was 81 percent.

Net cash flow from operating activities in the first quarter 2018 was NOK -37.9 million, compared to NOK -14.0 million in the same quarter last year, an effect of working capital changes. Net cash flow from investing activities was NOK -34.2 million (-11.4), mainly related to investments in the new facilities in Herning, in addition to development costs throughout the divisions. Nel's cash balance at the end of the first quarter was NOK 250.8 million.

Nel in brief

Nel is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The company serves industries, energy and gas companies with leading hydrogen technology. Since its foundation in 1927, 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 with the same fast fueling and long range as conventional vehicles today. The company has three divisions, covering the hydrogen value chain: Nel Hydrogen Electrolyser, Nel Hydrogen Fueling, and Nel Hydrogen Solutions.

Developments

Nel Hydrogen Electrolyser

Production and installation of electrolyzers for hydrogen production.

Nel Hydrogen Electrolyser recorded revenues of NOK 73.5 million, up from NOK 16.2 million in Q1 2017, mainly following the acquisition of Proton OnSite. The revenue growth was ~30% on a like-for-like proforma basis, and the underlying organic growth was ~6%, excluding Proton Onsite.

Proton OnSite

The integration between the two teams is nearly complete. However, Nel see further potential within the area of common synergies.

On the commercial side, the combined sales team covers all relevant regions, and Nel has updated all marketing materials to showcase the complete product offering.

The network of agents and distributors are being merged with the best from both sides, and Nel has also merged the teams working on technology development, having identified several areas that can benefit from sharing competence and technologies across the organizations. On supply chain and sourcing, Nel has more work to do and expect to be able to capture efficiency benefits and cost reductions as the work continues.

Notodden

The company is evaluating a capacity expansion that will reduce the costs by more than 30% by developing a fully automated, large-scale production line at Notodden. Reducing cost will allow Nel to maintain a leading cost position and enable the company to offer renewable hydrogen projects that are fully competitive with fossil alternatives.

During the first quarter of 2018, Nel purchased the adjacent facilities at Notodden and continue to evaluate significant expansions at the facility in Notodden to be able to deliver larger volumes and further reduce production costs.

H2V

In 2017, Nel entered into an agreement with H2V PRODUCT (HTV), a subsidiary of Alain Samson owned SAMFI-INVEST Group, for a power-to-gas project in France in 2017. Due to limited progress from H2V, in addition to their inability to secure project financing, Nel decided in April 2018, after the closing of the quarter, to halt further work under the agreement.

Nel Hydrogen Fueling

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

Nel Hydrogen Fueling reports financial figures together with Nel Hydrogen Solutions, found in the next section.

Development of the new Herning facility is in all material respect complete. The total investments will end within the original budget. The factory has the potential to manufacture hydrogen fueling stations to support an annual introduction of 200 000 Fuel Cell Electric Vehicles.

With a full ramp-up and plant optimization, the facility will have a manufacturing capacity of up to 300 fueling stations per year. Establishing serial production according to LEAN-principles enables further product improvements over time, as well as other scale benefits.

The new H2Station®

The new H2Station® offers customers a modular, flexible and scalable fueling solution, and can operate up to three hydrogen dispensers to fuel hydrogen cars, buses, trucks, forklifts, and even trains. In addition to having a very compact footprint based on years of R&D and operational experience in the field, the new multipurpose H2Station® offers fast fueling with long range, according to international standards. The station can also be expanded based on customers' need for hydrogen and is prepared for increase of hydrogen storages, and the addition of dispensers when utilization increases.

UL certification

After the closing of the quarter, 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.

H2Station® product range expansion

Nel has also launched the new H2Station® product with added flexibility for the customer. The modular H2Station® design allows for fueling of various types of vehicles and is offered for both Europe and USA.

The new H2Station® product builds on the previous generation introduced in 2015, but with additional features and technology elements. This allows for increased fueling capacity whilst maintaining the same equipment footprint, already being the world's most compact.

The H2Station® product can be configured for fueling of multiple types of vehicles ranging from cars to heavy duty vehicles such as busses and trucks with either 70MPa or 35MPa.

Nel Hydrogen Solutions

Established to utilize market opportunities across the Nel group and offers complete solutions to customers.

Nel Hydrogen Fueling and Solutions recorded revenues of NOK 38.9 million, up from NOK 19.3 million in the same quarter in 2017, representing a growth of 102%.

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 or trucks. In addition to providing turnkey installations, Nel also offers operational and maintenance services for customers.

During the first quarter of 2018, Nel signed a contract for a H2Station® fueling solution for SSAB EMEA AB in Sweden. The H2Station® will be used for fueling very large forklifts. The H2Station® has been installed at SSABs site in Oxelösund, Sweden, where it will serve large forklift at the local SSAB production facility.

In April 2018, after the closing of the quarter, Nel received a USD 5.5 million purchase order from Nikola Motor Company (Nikola), as part of the previously announced hydrogen station partnership.

Nikola and Nel has an exclusive partnership and confirmed purchase order for two so-called demo hydrogen refueling stations for Nikola's fleet of prototype hydrogen trucks. The partnership aims at developing low-cost, renewable hydrogen production and fueling sites for the potential development of 14 large-scale sites, however, Nikola and Nel are evaluating if the initial station number should be doubled to 28 stations.

Trevor Milton, Chief Executive Officer of Nikola, commented at the time of the announcement: "The Nikola hydrogen electric semi-trucks will begin testing with fleets in 2019 and begin full production in 2021. One of the most respected brands in America just signed an order with Nikola to convert 100% of their fleet over to Nikola trucks. This will require an additional 28 more stations to go up to support those efforts on top of the existing Nel purchase order. Nel has been a great partner to work with and we are excited to begin replacing diesels in America with zero emission trucks. The future for zero emission trucks has never been brighter. "

The additional purchase order has a value of USD 5.5 million, bringing the total value for the demo stations to approximately USD 9 million, with delivery in the second half of 2018 and into 2019.

South Korea

Nel has an agreement with Deokyang Co., Ltd. (Deokyang), for sales and marketing of Nel's H2Station® hydrogen fueling stations in South Korea. South Korea is one of the high potential hydrogen markets in the world and the joint venture with Deokyang will enable Nel to accelerate the efforts for the upcoming roll-out of the hydrogen networks.

The Research Council of Norway

Nel was awarded grant of NOK 11 million from the Research Council of Norway for building a state-of-the-art pressurized electrolyzer (PE1000) for large-scale hydrogen production.

The goal is to design, build and test an electrolyzer with the same efficiency as Nel's current technology. The PE1000 will provide flexibility to integrate with renewable energy for rapid response to intermittent and renewable power load.

Risks and uncertainty factors

Nel is exposed to risk and uncertainty factors, which may affect some or all of the company's activities. Nel has financial risk, market risk as well as operational risk and risk related to the current and future products. There are no significant changes in the risks and uncertainty factors compared to the descriptions in the Annual Report for 2017.

Other

In addition to the activities related to hydrogen, Nel continues to evaluate opportunities for its former healthcare business, including, but not limited to, possible mergers, acquisitions and strategic partnerships.

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 electrolyzes, 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. Further, Nel intends on positioning the company to address the expected growth in our markets.

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.

Key developments in 2018 includes:

- Ongoing activities to implement synergies between Norwegian and U.S. operations
- Continue to evaluate significant expansions at the facility in Notodden to be able to deliver larger volumes and further reduce production costs
- Continue ramp-up of production capacity at the Herning facility.

- California installation- and service team in place, preparing for installations of Shell-, as well as Sunline- and H2Frontier stations
- Working to secure contracts on H2Stations in South Korea and Europe
- Explore market opportunities in China, and alternative penetration strategies
- Ongoing collaboration on H2Bus Europe for a large- scale hydrogen bus rollout

Oslo, 7 May 2018

The Board of Directors

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

Condensed interim financial statements

Statement of comprehensive income (unaudited)

PROFIT & LOSS	**Note**	**2018**	**2017**	**2017**
(amounts in NOK thousands)		Q1	Q1	Full Year
Operating Income				
Sales income		109 548	32 650	286 365
Other operating income		2 906	3 052	12 061
Total operating income	**4, 6**	**112 454**	**35 702**	**298 426**
Operating expenses				
Cost of goods sold		58 500	19 273	163 638
Wages and social costs		42 507	18 201	130 021
Depreciation		16 077	2 591	35 968
Other operating costs		27 229	11 228	85 961
Total operating expenses		**144 313**	**51 294**	**415 588**
Operating loss		**-31 859**	**-15 592**	**-117 162**
Financial income		1 103	1 209	6 973
Financial expenses		873	839	7 183
Share of loss from associates and joint ventures		1 227	938	7 074
Net financial items		**-997**	**-568**	**-7 284**
Pre-tax loss		**-32 856**	**-16 160**	**-124 447**
Tax expense (income)		-2 716	-516	-72 000
NET LOSS		**-30 140**	**-15 644**	**-52 447**
Items that may subsequently be reclassified to profit or loss				
Currency translation differences		-36 209	677	18 237
COMPREHENSIVE INCOME		**-66 348**	**-14 967**	**-34 210**
Basic EPS *(figures in NOK)*		**-0,030**	**-0,023**	**-0,063**
Diluted EPS *(figures in NOK)*		**-0,030**	**-0,024**	**-0,061**

Statement of financial position (unaudited)

BALANCE SHEET	Note	2018	2017
(amounts in NOK thousands)		Q1	Year end
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Technology		330 833	338 510
Customer relationship		72 615	78 329
Customer contracts		4 538	9 575
Goodwill	5	572 706	591 735
Total intangible assets		**980 693**	**1 018 150**
Tangible fixed assets			
Land, buildings and other property		84 614	79 654
Machinery, equipment, fixtures and fittings		23 638	16 544
Total tangible fixed assets		**108 253**	**96 198**
Financial fixed assets			
Investments in associates and joint ventures		20 557	16 865
Other financial fixed assets		10 248	10 161
Total financial fixed assets		**30 805**	**27 026**
Total non-current assets		**1 119 751**	**1 141 374**
CURRENT ASSETS			
Inventories		128 843	138 723
Trade receivables		106 931	96 791
Other receivables		43 867	53 768
Cash and cash equivalents		250 755	295 000
Total current assets		**530 395**	**584 282**
TOTAL ASSETS		**1 650 146**	**1 725 656**
EQUITY AND LIABILITIES			
Equity			
Share capital		199 743	199 743
Share premium		1 289 233	1 289 233
Other capital reserves		23 238	19 188
Treasury shares		-4 405	-4 405
Retained earnings		-163 484	-94 373
Total equity		**1 344 325**	**1 409 387**
NON-CURRENT LIABILITIES			
Deferred tax liability		61 939	68 273
Other long term liabilities		59 284	34 123
Total long term liabilities		**121 224**	**102 395**
CURRENT LIABILITIES			
Accounts payable		63 188	64 857
Public duties payable		2 416	3 060
Other current liabilities		118 994	145 957
Total current liabilities		**184 597**	**213 874**
TOTAL LIABILITIES		**305 821**	**316 269**
TOTAL EQUITY AND LIABILITIES		**1 650 146**	**1 725 656**

Statement of changes in equity (unaudited)

(amounts/numbers in NOK thousands/thousands)

Statement of changes in equity	Number of shares	Share capital	Share premium	Other reserves	Treasury shares	Curr. conv. effects	Other equity	Total equity
As of 31.12.2015	**680 601**	**136 120**	**601 710**	**1 200**	**0**	**20 220**	**-28 242**	**731 008**
Net loss 2016							-55 829	-55 829
Currency translation differences						-19 617		-19 617
Capital increases 2016	3 077	616	6 503					7 119
Options and share program				9 916				9 916
Treasury shares					-1 377			-1 377
As of 31.12.2016	**683 678**	**136 736**	**608 213**	**11 116**	**-1 377**	**603**	**-84 071**	**671 219**
Net loss 2017							-52 447	-52 447
Currency translation differences						18 237		18 237
Capital increases 2017	315 037	63 007	681 020					744 027
Acquisition Proton OnSite							17 049	17 049
Options and share program				8 072			9 213	17 285
Treasury shares					-3 028			-3 028
Other changes							-2 957	-2 957
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 (note 6)							-3 037	-3 037
Net loss Q1 2018							-30 140	-30 140
Currency translation differences						-36 209		-36 209
Options and share program				4 049				4 049
Other changes							274	274
As of 31.03.2018	**998 715**	**199 743**	**1 289 233**	**23 237**	**-4 405**	**-17 369**	**-146 115**	**1 344 325**

Statement of cash flow (unaudited)

CASH FLOW STATEMENT *(amounts in NOK thousands)*	**2018** Q1	**2017** Q1	**2017** Full year
Cash flow from operating activities			
Pre-tax loss	-32 856	-16 160	-124 447
Interest costs, reversed	28	91	311
Interests income, reversed	-625	-847	-2 442
Depreciation	16 077	2 591	35 968
Change in provisions	-913	523	44 002
Change in inventories	9 880	-6 199	-102 457
Change in trade receivables	-10 139	-3 682	-61 817
Change in trade payables	-1 669	2 846	48 067
Change in other short term receivables and liabilities	-17 706	6 813	49 798
Net cash flow from operating activities	*-37 923*	*-14 024*	*-113 018*
Cash flow from investment activities			
Acquisitions of fixed assets	-29 397	-11 407	-71 898
Loan given to associated companies/ joint ventures	-3 900	0	-198
Acquisitions of associated companies/ joint ventures	-902	0	-8 624
Acquisitions of subsidiaries	0	0	-169 220
Acquisition of subsidiaries cash balance	0	0	30 669
Net cash flow from investing activities	*-34 199*	*-11 407*	*-219 272*
Cash flow from financing activities			
Interest paid	-28	-91	-311
Interest received	625	847	2 442
Gross cash flow from share issues	0	176 747	428 033
Transaction costs connected to share issues	0	-5 642	0
Proceeds from new loan	27 280	0	0
Payment of long term liabilities	0	-3 548	-4 719
Net cash flow from financing activities	*27 877*	*168 313*	*401 823*
Net change in cash and cash equivalents	*-44 245*	*142 882*	*69 533*
Cash and cash equivalents beginning of period	295 000	225 467	225 467
Cash and cash equivalents	**250 755**	**368 349**	**295 000**

Notes to the interim financial statements

Note 1 Organization and basis for preparation

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 foundation in 1927, Nel has a proud history of development and continual 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 also holds a number of patents related to tests for early detection and diagnosis of diseases. 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 condensed interim consolidated financial statements were authorized for issue by the Board of Directors on 7 May 2018.

Basis for preparation

The financial information is prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). This financial information should be read together with the annual report for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU.

The accounting policies used and the presentation of the interim financial statements are consistent with those used in the latest annual report, except for revenue recognition. IFRS 15, “Revenue from contracts with customer” is adopted from 1 January 2018. The effect of the implementation and a description of the accounting policy is described in detail in note 6.

Except for IFRS 15, no new significant accounting policies have been adopted in the period.

Note 2 Going concern

The financial statement is presented on the going concern assumption under International Financial Reporting Standards as adopted by the EU.

As per the date of this report the group has sufficient working capital for its planned business activities over the next twelve month period.

Note 3 Significant estimates, judgements and assumptions

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

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

- Impairment of goodwill
- Share based payments
- Development expenses

The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. Changes in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Refer to the annual report of 2017 for more details related to key judgements, estimates and assumptions.

Note 4 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 various 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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Fueling and Solutions			**Electrolyser**			**Other/ elimination***			**Total**		
	2018	2017	2017	2018	2017	2017	2018	2017	2017	2018	2017	2017
(amounts in NOK million)	Q1	Q1	Full year	Q1	Q1	Full year	Q1	Q1	Full year	Q1	Q1	Full year
Operating revenue	38.9	19.3	101.3	73.5	16.2	196.8	0.0	0.2	0.3	112.5	35.7	298.4
Operating cost	51.2	24.7	144.9	72.1	16.5	203.9	21.0	10.5	66.7	144.3	51.6	415.6
Operating profit (loss)	**-12.3**	**-5.4**	**-43.6**	**1.4**	**-0.3**	**-7.2**	**-21.0**	**10.3**	**-66.4**	**-31.9**	**-15.9**	**-117.2**
Net financial items	-0.9	-0.2	-6.4	-0.6	-0.3	0.4	0.5	0.0	-1.3	-1.0	-0.5	-7.3
Pre-tax profit (loss)	-13.2	-5.6	-50.0	0.8	-0.6	-6.7	-20.5	-10.3	-67.7	-32.9	-16.4	-124.4
Total assets	257.0	138.9	232.2	299.7	101.5	310.2	1093.4	692.6	1183.3	1650.1	933.0	1725,7
Total liabilities	180.8	52.1	142.8	219.5	56.0	226.5	-94.5	-6.0	-53.0	305.8	102.1	316.3

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

Note 5 Goodwill

The table below shows the movements in goodwill during 2017 and through the first quarter of 2018.

	2018	2017
(amounts in NOK million)	Q1	Full year
Goodwill as of 01.01	591.7	317.6
Acquisition of Proton Onsite in 2017	-	257.7
Currency translation differences	(19.0)	16.4
Goodwill as of 31.03.2018/31.12.2017	**572.7**	**591.7**

Note 6 Adoption of IFRS 15 “Revenue from contracts with customers”

IFRS 15 "Revenue from contracts with customers", is effective from 1 January 2018. Revenue recognition is determined on a contract to contract basis by evaluating the terms and performance obligations in a specific contract. Based on the contract, revenue according to IFRS 15 is either recognized on a point in time measurement basis or on a progress based measurement basis. In addition, the group recognizes revenue from public grants. Refer to the annual report of 2017 for details regarding grants and revenue recognition.

Revenue recognized on a point in time measurement basis:

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. 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.

Revenue recognized on a progress based measurement basis:

In determining whether revenue from a specific contract can be recognized using a progress based measurement several criteria have to be evaluated, among them the "alternate use" and "enforceable right to payment" criteria. If the appropriate criteria are fulfilled then contract revenues will be recognized using a progress based measurement. The group uses the percentage of completion method to recognize revenue and costs. Completion is measured by physical measurement of progress, or if more appropriate, accrued costs. Revenue is recognized according to degree of completion.

In the period when it is identified that a project will give a negative result, the estimated loss on the contract will be recognized in its entirety.

As of 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 “trade and other receivables”. 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 “trade and other payables”. Progress billings not yet paid by customers and retentions by customers are included within “trade and other receivables". Advances received are included within “trade and other payables”.

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

Specification of revenues in the first quarter of 2018:

(amounts in NOK million)	2018 Q1
Revenue from construction contracts (progress based)	42.4
Revenue recognized at point in time	68.5
Public grants	1.6
Total	**112.5**

Implementation effect of IFRS 15:

There is an opening balance adjustment to equity from reversal of previously recognized revenue due to the adoption of IFRS 15. The effect to the opening equity balance is NOK 3.0 million. The adjustment is related to the Electrolyser division and in specific the service/aftermarket projects run in Norway. Revenue was in 2017 and previous periods recognized on a progress based measurement, but has now changed to a point in time measurement basis.

During the first quarter in 2018 NOK 2.3 million of the equity restatement of NOK 3.0 million has been recognized. If the same revenue recognition principles was applied in the first quarter of 2018 as in the annual report for 2017, total revenues would amount to NOK 104.5 million. The related aftermarket projects have been deemed to be delivered to the customer since the control of the products is transferred from the group to the customer during the first quarter of 2018.

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) adjusted for depreciation and impairments.

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: is defined as internally generated growth from increased output/revenues in the group were growth from takeovers, acquisitions or mergers is not taken into account.

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

Title:
Nel ASA

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info@nelhydrogen.com
+47 23 24 89 50

Karenslyst allé 20, PB 199 Skøyen,
0278 Oslo, Norway

The publication can be downloaded on
nelhydrogen.com