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2020
Annual report

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Annual report 2020

Letter from the CEO

Dear fellow hydrogen enthusiast,

2020 was a year like no other and I am immensely proud of the dedication, flexibility and creativity shown by all our stakeholders, employees, shareholders, customer and partners, that turned out to be critical to solve the challenges that affected us all.

As we move towards what we hope will be a more normalized world, we see the potential for challenges turning into opportunities. There is a regulatory landslide across the globe, with the EU and the US pledging hundreds of billions of dollars into their zero-emission programs. Today, hydrogen is quickly becoming better understood as the energy carrier of choice and being incorporated as a vital part of recovery programmes in the years to come.

The expected growth will not only come from industrial applications, but also from transforming the current diesel-based heavy-duty transportation to run on zero-emission and cost-efficient green hydrogen. These developments require low-cost electrolysis and ultra-fast fueling, both areas where Nel is the global leader and where we have set an ambitious roadmap to continue to be in a pole position to leverage on the arising opportunities.

One of our main priorities for 2020 was to prepare these developments for the official launch of our target of producing green hydrogen at USD 1.5 per kilo* by 2025. Achieving this will allow green hydrogen to start to reach fossil parity, representing one of the most significant achievements for zero-emission solutions and a carbon neutral planet.

Taking electrolysis to GW-scale

To enable our ground-breaking cost target of USD 1.5 per kilo, Nel is expanding electrolyser production to accommodate large-scale projects by constructing a fully-automated manufacturing facility at Herøya, Norway. This factory will represent the first industrial-scale production of some of the most efficient electrolysers on the market, at a game-changing low cost. The Nel team is continuously working to drive down the cost of hydrogen, where scale-up is key, and will continue to assess the exact timing for the next expansion step. A 2 GW production capacity of electrolysers would represent a potential of four-to-five million tons of global CO_2 reductions, or ten percent of the annual CO_2 emissions in Norway.

In addition, Nel uniquely covers both PEM and alkaline technologies, each with their respective advantages, and we will continue to give them our full support and equal priority. The technology roadmap highlights our priority on large-scale products, continuous improvements, and lowest total cost of ownership for our customers. The hydrogen industry will become increasingly competitive and Nel therefore needs to continue to invest in organization, technology, and equipment to remain at the forefront of the industry.

Price and ultra-fast fueling is key to outcompete diesel

Nel has in its history delivered, or in progress to be delivered, more than 110 hydrogen fueling stations (HRS), H2Stations™, in 13 different countries. The global HRS market is expected to grow by 30 percent annually towards 2030, with 11,000 installed fueling stations, in addition to solutions for fueling of private trailer parks, trains, ferries, etc.

The only way to transform heavy-duty transportation is to beat diesel at the pump. In addition to green hydrogen reaching fossil parity at production, we have to enable fast fueling of hydrogen in a reliable and cost-efficient manner to be able to beat fossil alternatives. Nel has a technology roadmap enabling fueling of a heavy-duty truck in 10-15 minutes, to achieve a range up to 1,000 km, and we are in a good position to continue to lead the hydrogen fueling industry.

* Assumptions: Nel analysis based on electricity of 20 $/MWh, >8% cost of capital, cost of land, civil works, installation, commissioning, building, water etc., lifetime 20 years incl. O&M cost, at 30 bar.

Thanks for the ride dinosaurs

Large opportunities also represent major challenges for Nel going forward, as maintaining a leadership position requires large investments, rapid expansion of the organization, and execution of large-scale projects across the globe in an increasingly competitive environment. In 2021 alone, we plan to add more than 100 new colleagues, deploy over 25% of the capital raised in 2020 in plant, equipment, and technology development projects, and add more capacity as required by the market.

An emission-free future depends on green hydrogen and we're ready to continue to lead the way. For as we say in Nel: Thanks for the ride dinosaurs, we'll take it from here!

I would also like to thank our investors, employees, customers, and other stakeholders for their efforts and dedication during a challenging 2020. We look forward to working together with all of you throughout 2021 for a better future for each and every one of us!

Best regards,
Jon André Løkke, CEO

PIONEERING RENEWABLE HYDROGEN FOR MORE THAN 90 YEARS

- **2020** Nel opens first H2Station™ in Korea
- **2019** Nel announces construction plans for the world's largest electrolyser manufacturing plant to accommodate multi-billion NOK orders
- **2018** Nel completes 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 product portfolio, becoming the world's largest electrolyser company
- **2015** Nel acquires H2 Logic, adding world leading hydrogen fueling technology to the product portfolio
- **2014** Nel becomes the first 100% dedicated hydrogen company listed on the Oslo Stock Exchange
- **2003** Nel opens the world's first publicly available hydrogen fueling station in Reykjavik, Iceland
- **2001** Our first pressurised electrolyser introduced to the market
- **1988** The world's first electrolyser supplier to provide non-asbestos alkali electrolysers
- **1974** Our renowned electrolyser technology made available for other companies and other industries
- **1959** Complete redesign of the electrolyser unit, forming the basis for today's atmospheric electrolyser from Nel
- **1953** Starts up a second large scale hydropowered electrolyser plant for supplying hydrogen to ammonia production, in Glomfjord, Norway
- **1940** The largest installation in the world of water electrolysers at Rjukan, Norway, with a total hydrogen production capacity exceeding 30.000 Nm3/hour, from hydropower
- **1927** The first small electrolyser installation at Norsk Hydro, Notodden, Norway. Testing for pure hydrogen to fertilizer production

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


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H_2

Report from the Board of Directors

2020 Highlights

- Revenue and other operating income increased by 14 % from 2019 to 2020, despite being negatively impacted by global travel restrictions and extraordinary measures related to the Covid-19 pandemic which have impacted progress on customer/partner dialogue, order intake, installation, commissioning, and production efficiency.

- Record-high order backlog at end of 2020 of NOK 981.1 million, up 91 % from 2019.

- Year-end cash balance of NOK 2 332.9 million (2019: 526.0).

- Signed framework agreement with Lhyfe for delivery of up to 60 MW of alkaline electrolysers in France. The framework agreement follows an NOK 10 million purchase order for an alkaline electrolyser

- Received purchase order from Nikola Corporation, with a value of more than NOK 280 million, for 85 MW alkaline electrolysers related to the deployment of the world's first 8 ton/day hydrogen fueling stations.

- Received purchase order for 20 MW alkaline electrolyser from Everfuel A/S for the green hydrogen production facility adjacent to the Frederica refinery in Denmark with a value of about NOK 75 million.

- Received several purchase orders for PEM electrolyser stacks for the U.S. Navy, bringing total booked orders from this customer with a value of more than NOK 85 million in 2020.

- Selected as preferred supplier and signed a memorandum of understanding (MoU) with Iberdrola for a 20 MW PEM solution for a green fertilizer project in Spain. The hydrogen plant is scheduled to commence operations in 2021.

- Awarded a NOK 38 million grant by the US Department of Energy (DOE) for development of advanced components and manufacturing methods to enable low-cost hydrogen from electrolysis.

- Received purchase order for multiple H2Station™ units from Iwatani Corporation of America with a value of more than NOK 150 million.

- Received purchase order from Hydrogen Energy Network Co., Ltd. (HyNet) for three additional H2Station® hydrogen fueling stations in South Korea with a value of about NOK 42 million.

- Completed successful private placements and subsequent offering, raising NOK 2 383.3 million in gross proceeds.

SUBSEQUENT EVENTS

- On January 14, 2021, following the MoU signed in 2020, Iberdrola issued a purchase order for 20 MW PEM electrolyser for the green fertilizer project in Spain with a value of NOK 140 million.

- On January 21, 2021, Nel launched a target for producing green hydrogen at 1.5 USD/kg target by 2025, to outcompete fossil alternatives, on its first ever Capital Markets Day.

- On February 24, 2021, a private placement of 49.5 million new shares was completed, at a price per share of NOK 24.75, raising NOK 1 225.1 million in gross proceeds.

KEY FIGURES

KEY FIGURES	2020	2019	2018
Revenue and operating income	651.9	569.7	489.0
Total operating expenses	1 066.4	823.3	685.1
EBITDA	-251.5	-178.1	-131.6
Operating loss	-414.5	-253.6	-196.1
Pre-tax income (loss)	1 245.5	-277.2	-197.5
Net income (loss)	1 261.9	-269.7	-188.8
Net cash flow from operating activities	-215.9	-199.7	-142.8
Cash balance end of period	2 332.9	526.0	349.7

Financial development

Income statement

Nel reported revenue and operating income in 2020 of NOK 651.9 million, up 14.4 % from NOK 569.7 million in 2019. The growth can mainly be attributed to Nel Hydrogen Fueling's revenue increasing 30%. Fueling constituted 48% of Nel's total revenue in 2020, up from 43% in 2019.

At the end of 2020, Nel had a record-high order backlog of approximately NOK 981 million, up 87% from NOK 526 million in 2019. The backlog only includes firm purchase orders with agreed price, volume, timing and terms and conditions.

Raw materials expenses totalled NOK 394.0 million (342.4), an increase of 15.1% from 2019. The increased raw materials are related to the 11.4 % increase in revenue from contracts with customers and is also affected by increased costs from project execution in the Fueling and Electrolyser divisions.

Personnel expenses amounted to NOK 329.4 million (243.2), the 37.4 % increase compared to 2019 is explained by a higher number of employees, up from 310 employees by the end of 2019 to 393 at the end of 2020. Other operating expenses amounted to NOK 180.0 million (162.2). The high level of personnel and other operating costs are the results of Nel's strategic decision to pursue growth and higher activity levels.

Costs for the share option program, which are included in personnel expenses, were NOK 8.6 million in 2020 compared to 10.3 million in 2019.

EBITDA ended at NOK -251.5 million (-178.1), negatively impacted by ramp up costs. Nel's customer projects often include new geography, customer segments, technological components and/or products leading to additional costs and risk.

Depreciation, amortisation and impairment increased to NOK 163.0 million (75.5), mainly driven by impairment of intangible assets of NOK 58.9 million (NOK 38.0 mill in RotoLyzer® technology and NOK 20.9 million in other technology development in Electrolyser Norway where we no longer expect to complete the development).

The operating loss amounted to NOK -414.5 million (-253.6).

Net financial items amounted to a gain of NOK 1 660.0 million (-23.6) and were driven by a positive fair value adjustment of shareholdings in Everfuel and Nikola, with NOK 1 531.8 million (a value of NOK 125.00 per share as of December 31, 2020) and NOK 100.2 million (a value of USD 15.26 per share as of December 31, 2020), respectively. Pre-tax income totalled NOK 1 245.5 million (-277.2) and the net income for the year was NOK 1 261.9 million, compared to a loss of NOK -269.7 million in 2019.

Financial position

Total assets were NOK 6 136.7 million at the end of 2020, compared to NOK 2 430.7 million at the end of 2019. Total equity was NOK 5 468.3 million. Thus, the equity ratio was 89 percent.

Cash flow

Net cash flow from operating activities in 2020 was NOK -215.9 million, compared to NOK -199.7 million in 2019. The development is mainly due to higher personnel expenses driven by increase in full time employees. Net cash flow from investing activities was NOK -294.4 million (-134.1). Nel has purchased property, plant and equipment for NOK 148.5 (49.9) million in 2020, mainly related to the expansion at Herøya, Norway, in the electrolyser division.

Nel's cash balance at the end of 2020 was NOK 2 332.9 million. The increase from end of 2019 is mainly due to raising net proceeds of NOK 818.8 million and NOK 1 265.5 million from the share capital increase in January and June, respectively. This is partly offset by negative cash flow from operations and investments.

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 industrial gas companies with leading green hydrogen production technology.

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

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

In order to achieve success in a rapidly expanding global market, which also will be increasingly competitive, it is our strategy to build a strong organisation, with highly competent and experienced key employees. Nel has strengthened important parts of the organization in 2020 and will continue to do so also in the coming years.

It is also a vital part of our strategy to develop and improve our products, to become more cost efficient and competitive, thereby both expanding the market and winning in competition. Nel has increased its efforts in technology development during 2020 and will continue to do in 2021 and beyond.

The efforts to strengthen the organisation and our technology development will require substantial resources the coming years but we believe it is the right strategic step for the long term value creation.

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

NEL HYDROGEN ELECTROLYSER

Production and installation of electrolysers for hydrogen production.

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

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

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

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

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

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

Today, Nel has a complete product portfolio of both alkaline and PEM electrolysers and is also continuously developing and improving both technologies. Initiatives include a next generation large scale, pressurised alkaline electrolyser as well as larger PEM stacks, and large-scale solutions which allow for significant cost reductions on a system level.

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

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

NEL HYDROGEN FUELING

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

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

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

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

Our target is to enable hydrogen to outcompete fossil fuels for an increasing number of applications, and eventually to become a preferred fuel alternative. Increased activities in the heavy-duty segment (buses, trucks etc.) has encouraged Nel to step up technology developments, and to launch new products, better suited for heavy-duty applications. Significant technology developments will continue going forward to support these new applications.

All in all, our combined electrolyser and fueling activities are supporting our vision:

"empowering generations with clean energy forever"

Segments

NEL HYDROGEN ELECTROLYSER

Financial review

Amounts in NOK million	2020	2019
Revenue and operating income	337.5	327.4
EBITDA	-84.2	-47.7
Total assets	1 256.3	1 108.1
Number of employees	179	148

Revenue and operating income increased by 3 % from 2019. Revenue from Norway increased by 36 % due to higher sales of alkaline electrolysers and recognition of NOK 18.7 million in grants related to the RotoLyzer® technology. Increased revenue from Norway is offset by 5 % decreased revenue from US and its related PEM electrolysers. Nel Hydrogen Electrolyser has been particularly negatively impacted by the general business slow down and delay in closing orders resulting from Covid-19.

EBITDA was NOK -84.2 million in 2020, positively impacted by NOK 18.7 million amortisation of received technology development grants, but overall a decrease from NOK -47.7 million in 2019. The reduction of NOK 36.5 million was mainly due to ramp-up costs and slightly lower margins in Norway and US as well as a general negative impact on operations due to Covid-19.

Total assets have increased by 13 % from 2019, which is mainly related to investments in the new manufacturing facility at Herøya, Norway, and increased inventories.

Headcount in Nel Hydrogen Electrolyser has increased from 148 employees by the end of 2019 to 179 at the end of 2020, driven by an increase in project and production personnel.

DEVELOPMENT AND KEY PROJECTS

Large purchase order from Nikola Corporation

In June 2020, Nel Hydrogen Inc., a wholly owned subsidiary of Nel ASA, received a purchase order ("PO") from Nikola Corporation (Nikola) for 85 MW alkaline electrolysers related to the deployment of the world's first 8 ton/day hydrogen fueling stations. The PO has a value in excess of NOK 280 million and is included in the company's order backlog. The joint development program of the fueling station continues, but the process and implementation has been delayed by strategy reviews and other Covid-19 related factors incl. severe travel restrictions.

Green production facility in Denmark

Nel received purchase order for 20 MW electrolyser with Everfuel A/S for the green hydrogen production facility adjacent to the Frederica refinery in Denmark with a value of NOK 75 million.

Grant awarded to develop a novel electrolyser stack

Nel has been awarded a NOK 38 million grant by the US Department of Energy (DOE) for development of advanced components and manufacturing methods to enable low-cost hydrogen from electrolysis.

Framework agreement with Lhyfe

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

The framework agreement follows a NOK 10 million purchase order for an A150 alkaline electrolyser in March 2020, which will be used to produce green hydrogen for a fleet of buses in Bouin, France. The agreement covers 20 additional electrolysers, equal to around 60 MW, intended to be purchased over the next 4 years under similar terms and conditions.

New manufacturing facility, Herøya, Norway

Nel is expanding electrolyser production to accommodate large-scale projects by constructing a fully automated manufacturing facility at Herøya, Norway. This factory will represent the first industrial-scale production of the most efficient electrolysers on the market, at a game-changing low cost.

The amount of expenditures recognised in the carrying amount for Herøya expansion in the course of construction is NOK 114.0 (13.8) million as of 31 December 2020. Total contractual commitments beyond 2020 for the acquisition of physical components related to the Herøya expansion in the Electrolyser division are NOK 171.6 million.

The manufacturing facility is scheduled to have its test phase during Q2 2021 and ramp up phase in Q3 2021.

Update on the RotoLyzer® technology

Nel continues to develop step-change enabling technologies and products, as well as improving current platforms and investigating several different types of products with the ambition to provide a superior value proposition to its customers. As a result, the RotoLyzer® development activity has been reduced in the short-term. Instead Nel is prioritising other research and development projects. This has increased the uncertainty of the timing of future commercialisation of the RotoLyzer® product. Nel will continue to develop the RotoLyzer® at a slower pace to further assess the commercial feasibility, and due to the increased timing uncertainty, Nel has recognised an impairment of NOK 38.0 million this year.

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

SUBSEQUENT EVENTS

Purchase order from Iberdrola

On January 14, 2021, following the MoU signed in 2020, Iberdrola issued a purchase order for 20 MW PEM electrolyser for the green fertilizer project in Spain with a value of NOK 140 million.

Official launch of MC250 and MC500

On January 19, 2021, Nel officially launched the MC250 and MC500, representing automated PEM MW-class on-site hydrogen generators utilizing a modular containerized design for ease of installation and integration. The containerized MC250 and MC500 will be delivered as standard 1.25 and 2.5 MW (246 and 492 Nm3/h) configurations, respectively.

The Herning facility

NEL HYDROGEN FUELING

Financial review

Amounts in NOK million	2020	2019
Revenue and operating income	314.3	242.4
EBITDA	-106.9	-83.8
Total assets	883.8	773.7
Number of employees	200	156

Revenue and operating income increased by 30 % from 2019 due to increased order intake and production. Nel Hydrogen Fueling delivered 23 H2Stations during 2020, which represents an increase of 44 % from 2019.

EBITDA was NOK -106.9 (-83.8) million in 2020, negatively impacted by increased volume and decreased margins through slightly higher cost levels and COVID-19 resulting in lower productivity.

Total assets have increased by 14 %, mainly driven by higher trade receivables and contract assets through higher sales and activity.

Headcount in Nel Hydrogen Fueling has increased from 156 employees by the end of 2019 to 200 at the end of 2020, driven by increase in service technicians and development personnel.

DEVELOPMENT AND KEY PROJECTS

Technology development

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

Large purchase order from Iwatani

Nel received purchase order for 14 H2Station™ modules for fueling light-duty vehicles, which will be installed in 2021 on 7 sites in California, from Iwatani Corporation of America. Total value is in excess of NOK 150 million.

Additional purchase order from HyNet

Nel received a purchase order from Hydrogen Energy Network Co., Ltd. (HyNet) for three additional H2Station® hydrogen fueling stations in South Korea with a value of approx. NOK 42 million.

70MPa CAR Dispenser

CORPORATE DEVELOPMENT

Private placement in Nel with NOK 972.3 million in gross proceeds
Completed a successful private placement of 89 million new shares in January 2020, at a price per share of NOK 9.50, raising NOK 845.5 million in gross proceeds. This was followed by a subsequent offering of 13.35 million new shares in April 2020, at a price per share of NOK 9.50, raising NOK 126.8 million in gross proceeds

Additional private placement in Nel with NOK 1300.0 in gross proceeds
Completed a successful private placement of 70.46 million new shares in June 2020, at a price per share of NOK 18.45, raising NOK 1 300.0 million in gross proceeds

Private placement and subsequent listing on Euronext Growth Oslo of Everfuel
Everfuel, an associate of Nel, successfully completed a private placement of NOK 290.4 million and was subsequently listed on Oslo Euronext Growth on October 29

Restructured ownership of Uno-X Hydrogen AS (Norwegian retail operations)
On June 30, 2020, Nel acquired all shares in the former joint venture Uno-X Hydrogen AS, resulting in a 100 % owned subsidiary. Later, on December 30, 2020, Nel sold 51 % of the shares to Everfuel Norway AS, consequently loss of control and a sale of subsidiary. The company Uno-X Hydrogen AS was renamed to Everfuel Retail Norway AS.

SUBSEQUENT EVENTS

First capital markets day in Nel's history
On January 21, 2021, Nel hosted the company's first ever Capital Markets Day. On this day Nel launched 1.5 USD/kg target for green renewable hydrogen to outcompete fossil alternatives, already within 2025.

Private placement in Nel with NOK 1 225.1 million gross proceeds
On February 24, 2021, a private placement of 49.5 million new shares was completed, at a price per share of NOK 24.75, raising NOK 1 225.1 million in gross proceeds.

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 20-24 of this annual report and on the company's website.

ORGANISATION AND OCCUPATIONAL HEALTH AND SAFETY

Through its operation business units, Nel employed 393 people at the end of 2020, compared to 310 at the end of 2019. The company practices a policy of equal treatment on all assignments and promotions. From 2018 to 2020 Nel has increased the representation of women in its workforce from 15% to 19%. Nel's Board of Directors consists of three men and three 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.

The rate of recordable work-related injuries amounted to 11.2 per million working hours. None of the recordable injuries were classified as serious injuries.

In 2020, the sick leave rate was 4.3 % worldwide, compared to 2.7 % in 2019.

For additional information refer to 2020 Sustainability report section S.2 Occupational, Health and Safety and S.5 Well-Being at work. The report is available at **www.nelhydrogen.com/reports-and-presentations**

ETHICAL BUSINESS CONDUCT AND COMPLIANCE

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

The group has adopted ethical guidelines as part of the corporate governance framework to maintain a high ethical standard in its business concept and relations with customers, suppliers and employees.

For additional information refer to 2020 Sustainability report section G.1 Ethical Business Conduct and Compliance. The report is available at **www.nelhydrogen.com/reports-and-presentations**

SUSTAINABILITY AND ENVIRONMENTAL

At Nel, sustainability is an integral part of our identity. Our vision is to empower generations with clean energy forever. This vision is driving our ambitions and priorities. Combating climate change is high on our corporate agenda and we always incorporate sustainability into our strategic decision-making processes. As a result, sustainability is well ingrained throughout the organization.

The Alkaline electrolysers and PEM electrolyser equipment produced by Nel have no emissions in use when connected to renewable power sources like wind, solar, or hydro power, either grid-connected or off-grid. In fueling, our dispensers unlock the potential to decrease dependence on fossil-based solutions for mobility, thus contributing to the decarbonization of one of the most polluting industries.

The Group's reporting on sustainability work and performance is in accordance with the Global Reporting Initiative (GRI) Standards. With regards to total greenhouse emissions we report on scope 1 and 2 in 2020. Going forward we aim to extend our reporting scope and include a selection of scope 3 emissions. These have been identified to be air travel, waste and downstream distribution. In 2021, we aim to implement direct targets and measurable metrics to reduce emissions.

For additional information refer to 2020 Sustainability report section E.4 Environmental Impact, Energy and GHG emissions. The report is available at **www.nelhydrogen.com/reports-and-presentations**

SHAREHOLDERS AND FINANCING

Nel's shares are listed on the Oslo Stock Exchange under the ticker "NEL". At the end of 2020, the company had 1 407 797 488 issued shares, consisting of 1 407 401 146 outstanding shares and 396 342 treasury shares, held by 27 885 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 2020, the company estimates it has sufficient working capital for the 12 months following the balance sheet date. In accordance with section 3(3a) of the Norwegian Accounting Act, the board of directors, therefore, confirms that the going-concern assumption is met and that the annual accounts have been prepared in accordance with this assumption.

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

RISKS AND UNCERTAINTY FACTORS

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

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

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 of the field of 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 operate in growth business segments, and should these customers fail to succeed with their business plans or fail to fulfil their contracts with Nel, Nel's sales to such customers may be adversely affected.

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

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

IT and cyber security improvement initiatives are high on our agenda. Protecting our operations is essential and will become increasingly important as the global use of connected devices continues to rise. Protecting our intellectual property will remain a priority, especially as the use of big data, such as at our fueling stations and electrolysers, continues to increase in importance. As far as we are aware, there were no breaches of customer privacy in 2020, nor were there any reported cases of identified leaks, thefts, or loss of customer data.

A complete range of operational, financial and market related risk factors is discussed in detail in note 6.1, 6.2 and 6.3, respectively.

OUTLOOK

Despite the effects of Covid-19 on business activity this past year, Nel continues to look to the future with enthusiasm and clarity of purpose. Global adoption of hydrogen-related technologies and infrastructure have grown significantly in recent years, and hydrogen generally is finding broad support in government and industrial initiatives. The capital markets, our customers and other industry stakeholders have also continued to demonstrate support for the growth and investment strategy that has been Nel's focus in the past several years. We remain committed to this strategy for the foreseeable future.

Nel aims to capitalize on the developing opportunities within industrial hydrogen, for hydrogen as an important energy storage medium, and hydrogen fueling for mobility and in particular for heavy duty vehicles such as trucks and buses. All of these applications have tremendous overall potential, and it seems that the hydrogen market expands substantially for every year that passes. By leveraging our position as a technology front-runner, and a continued high focus on safety, global presence, cost leadership, strong financing and preferred-partner status for industry participants, we look forward to a future hydrogen landscape where Nel remains an important global player.

In order to maintain and strengthen our leading position in this growing market, Nel will continue to accelerate investments into our international organization, our alkaline and PEM technology platforms, and our scale. By building sufficient and flexible capacity to accommodate multi-billion NOK orders, we intend to meet the accelerating demand for industrial and infrastructure applications of our products globally. During 2021, Nel plan to add more than 100 new employees and deploy approximately 25% of capital raised during 2020 in plant, equipment, and technology development projects. While this ramp-up is expected to result in significantly negative EBITDA in the coming years, we understand that sustainability in our business model will be an increasing focus area for investors in the medium term. Our counterparties expect that Nel will be a financially strong and stable counterparty and partner as the global hydrogen market continues to expand, and contracts continue grow in size and scope.

Nel will continue to invest in our leading position in the hydrogen landscape as energy markets globally undergo their monumental transition into sustainability and diminished emissions.

We look forward to the many challenges ahead and intend to meet them with know-how and determination, and in the best interests of our stakeholders.

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.

In 2020, Nel introduced sustainability on a group level, and reports on metrics and targets in a dedicated sustainability report alongside the annual report, following the GRI Sustainability Reporting Standards (GRI Standards). The report implements considerations found in Norwegian Accounting Act, Task Force on Finance Related Disclosures (TCFD), Euronext ESG Guidelines for listed companies, UN Guiding Principles on Business and Human rights, the UN Global Compact, 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 production and sale of hydrogen plants, hydrogen fueling stations, or other related areas." Further, the company's business strategy is described in the annual report under "Report from the board of directors".

3. Capital and dividend

The company's registered share capital as of 31 December 2020 consisted of 1 407 797 488 shares, including both outstanding shares and treasury 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 annual general meeting on 13 May 2020, the board was granted authorisation to increase the share capital with up to NOK 26 498 695 through one or several capital increases. The board has also been granted authorisation to acquire shares in Nel on behalf of the company, for a total nominal value not exceeding 10% of the share capital at any given time.

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

5. Free transferability

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

6. General meeting

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

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

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

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

7. Nomination committee

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

Nomination committee members are elected for a one-year term. At the general meeting on 13 May 2020, the following persons were elected to the nomination committee and serve until the 2021 annual general meeting:

- Leif Eriksrød, chair
- Fredrik Thoresen, member
- Torkel Aaberg, member

8. Board composition and independence

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 13 May 2020, Ole Enger, chair of the board, Hanne Blume, Finn Jebsen and Beatriz Malo de Molina were re-elected to the board of directors. In addition, Charlotta Falvin and Tom Røtjer were elected for the first time to the board of directors, replacing Hanne Kristin Skaarberg Holen, which resigned from the board of directors 10 January 2020, and Mogens Filtenborg.

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 7.4 (group) and note 13 (parent company) for transactions with related parties.

The shareholdings of executive management are outlined in note 7.2 (group).

9. The board's work

A plan for the board's work is prepared every year. The board has also adopted instructions for the board and CEO, detailing the work and responsibilities of the board and CEO, respectively. The board ensures the company's business is properly organised and that plans and budgets are prepared. The board's plans and rules of procedure ensure the board is kept informed of the company's financial position and that the business, asset management, and accounts are subject to 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 2020, the board of directors conducted 11 board meetings, held at group headquarters in Oslo, held as video meetings, and held by circulation of documents.

The company has an audit committee, which is governed by the Norwegian Public Limited Liability Companies Act. The members of the audit committee are appointed by and from the members of the board, and currently consist of Finn Jebsen and Beatriz Malo de Molina. Current members are independent of the company's management.

10. Risk management and internal controls

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

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

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.

An assessment regarding the independence of the directors and chair of the board is set out in section 8 above.

The board remuneration for 2020 is outlined in note 7.4.

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 permanent 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 authorised to speak on behalf of the company, and may delegate their authority in this regard as they consider appropriate.

14. Company takeovers

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

15. Auditor

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

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

The fee payable to the auditor is specified in note 7.3 to the annual accounts and is categorised under the item statutory audit and other services. The board submits proposals regarding the fees payable for the statutory audit to the general meeting for approval.

Members of the board

OLE ENGER, CHAIR OF THE BOARD

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

HANNE BLUME, BOARD MEMBER

Ms. Blume (born 1968) is the CHRO in TDC NetCo and has previously held the position as CHRO in Ørsted and DONG Energy, vice president in QHSE and different management positions in the energy sector. Ms. Blume holds a master's degree in Business administration and commercial law from Aarhus School of Business and Oregon State University. She has management and board experience from both listed and private companies. Ms. Blume is a Danish citizen and resides in Juelsminde in Denmark. Ms. Blume has been a board member since 2019.

CHARLOTTA FALVIN, BOARD MEMBER

Ms. Falvin (born 1966) has held various management positions in the tech industry, including e.g COO of Axis AB and CEO of TAT The Astonishing Tribe AB, with a focus on international business development and organizational growth. Since 2011, she has worked as a professional board member in primarily public companies in the Swedish tech sector, but also in academia, banking and regional incubators for startups. Charlotta Falvin holds a Master of Science in Business Administration and Economics from Lund University in Sweden. She is a Swedish citizen and resides in southern Sweden. Ms. Falvin has been a board member since 2020.

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) is the Chief Financial Officer of Agilyx AS. She 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.

TOM RØTJER, BOARD MEMBER

Mr. Røtjer (born 1953). Former Head of Projects at Norsk Hydro ASA, where he held a number of management positions from 1980 to 2018. He was member of Corporate Management Board of Norsk Hydro from 2007-2012. He is currently a board member of Aibel AS and Hæhre & Isachsen Gruppen AS. He has previously held board positions in Det norske oljeselskap ASA (Aker BP ASA), Qatalum Ltd. Qatar, and Green Energy Geothermal Ltd. Mr. Røtjer holds a master's degree in Mechanical Engineering from the University of Trondheim, Norway. He is a Norwegian citizen and resides in Oslo. Mr. Røtjer has been a board member since 2020.

Management

JON ANDRÉ LØKKE, CEO

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

KJELL CHRISTIAN BJØRNSEN, CFO

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

ANDERS SØRENG, CTO

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

CAROLINE DUYCKAERTS, CHIEF HR OFFICER

Caroline Duyckaerts joined Nel ASA as Chief Human Resources Officer in January 2021. Mrs. Duyckaerts comes from the position as head of HR for one of Hydro's business areas. She previously also led the People & Leadership development for Hydro and has further HR and change management experience from several well-known companies incl. Hydro, Deloitte, Yara (Hydro Agri), Accenture. Caroline Duyckaerts is a Belgian citizen and holds a master of Engineering and Business Administration from HEC Liège, complemented with an education as executive coach.

JØRN ROSENLUND, SVP NEL HYDROGEN FUELING

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

FILIP SMEETS SVP NEL HYDROGEN ELECTROLYSER

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

STEIN OVE ERDAL, VP LEGAL AND GENERAL COUNSEL

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

HANS H. HIDE, SVP PROJECTS

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

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"We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2020, up to and including 31 December 2020, have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and that the directors' report includes a fair review of the development and performance of the business and the position of the company as a whole, together with a description of the principal risks and uncertainties the company faces."

OSLO, 22 MARCH 2021

THE BOARD OF DIRECTORS

Ole Enger Chair (Electronically signed)	Beatriz Malo de Molina Board member (Electronically signed)	Charlotta Falvin Board member (Electronically signed)
Finn Jebsen Board member (Electronically signed)	Hanne Blume Board member (Electronically signed)	Tom Røtjer Board member (Electronically signed)
Jon André Løkke CEO (Electronically signed)		

Consolidated financial statements 2020 Nel group

Consolidated statement of comprehensive income

(Amounts in NOK thousands)

Nel group

	NOTE	2020	2019
Revenue from contracts with customers	2.1, 2.3	578 333	519 051
Other operating income	2.2	73 548	50 657
Total revenue and operating income		651 881	569 707
Raw materials	2.4	393 982	342 374
Personnel expenses	2.5	329 402	243 194
Depreciation and amortisation	4.1, 4.2	91 286	75 500
Impairment of tangible and intangible assets	4.1, 4.2	71 666	0
Other operating expenses	2.6	180 042	162 234
Total operating expenses		1 066 378	823 302
Operating loss		-414 497	-253 595
Finance income	2.7	1 675 567	12 643
Finance costs	2.7	-16 789	-6 501
Share of profit (loss) from associates and joint ventures	3.4	1 242	-29 786
Pre-tax income (loss)		1 245 523	-277 238
Tax expense (-income)	2.8	-16 357	-7 529
Net income (loss) attributable to equity holders of the company		1 261 880	-269 710
OTHER COMPREHENSIVE INCOME THAT ARE OR MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS (NET OF TAX)			
Currency translation differences		18 151	2 240
Cash flow hedges, effective portion of changes in fair value	6.4	14 050	-2 388
Cash flow hedges, reclassified	6.4	-1 820	1 602
Comprehensive income attributable to equity holders of the company		1 292 261	-268 256
Earnings per share (NOK) attributable to Nel shareholders	2.9	0,92	-0,22
Diluted earnings per share (NOK) attributable to Nel shareholders	2.9	0,91	-0,22

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

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

Nel group

ASSETS	NOTE	2020	2019
NON-CURRENT ASSETS			
Technology	3.1	427 341	451 736
Customer relationship	3.1	44 695	57 185
Goodwill	3.1	619 731	609 154
Property, plant and equipment	3.2, 3.3	378 052	256 170
Investments in associates and joint ventures	3.4	1 289	3 795
Non-current financial assets	3.5	71 835	18 392
Total non-current assets		1 542 943	1 396 432
CURRENT ASSETS			
Inventories	4.1	237 129	205 234
Trade receivables	4.2	101 449	183 333
Contract assets	2.1	127 976	37 103
Other current assets	4.3	1 794 345	82 590
Cash and cash equivalents	4.4	2 332 854	525 982
Total current assets		4 593 753	1 034 241
TOTAL ASSETS		6 136 696	2 430 673

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

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

Nel group

EQUITY AND LIABILITIES	NOTE	2020	2019
EQUITY			
Share capital	5.1	281 559	244 421
Treasury shares	5.1	-79	-14
Share premium	5.1	4 367 306	2 089 418
Other capital reserves	5.1	43 937	36 256
Retained earnings	5.1	693 563	-575 112
Other components of equity	5.1	82 029	51 649
Total equity		5 468 316	1 846 618
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.8	55 144	63 343
Long-term debt	5.2	30 284	30 577
Lease liabilities	3.3	77 125	79 121
Deferred income	5.3	63 601	59 015
Other non-current liabilities	5.4	11 140	15 340
Total non-current liabilites		237 294	247 396
CURRENT LIABILITIES			
Trade payables		81 570	92 197
Lease liabilities	3.3	14 291	12 066
Contract liabilities	2.1	193 082	147 481
Other current liabilities	5.4	67 407	51 211
Provisions	5.5	74 735	33 704
Total current liabilities		431 085	336 659
Total liabilities		668 379	584 055
TOTAL EQUITY AND LIABILITIES		6 136 696	2 430 673

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

Consolidated statement of cash flows

Nel group

(Amounts in NOK thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2020	2019
Pre-tax income (loss)		1 245 523	-277 238
Interests paid, reversed	2.7	4 411	4 715
Depreciation, amortisation and impairment	3.1, 3.2	162 952	75 500
Change in fair value equity instruments	2.7, 4.3	-1 632 006	0
Equity-settled share-based compensation expense	2.5	7 682	6 307
Change in provisions	5.5	30 974	68 947
Change in inventories	4.1	-31 895	-70 430
Change in trade receivables	4.2	81 884	-74 674
Change in trade payables		-10 627	22 723
Changes in other current assets and other liabilities	4.3, 5.4	-74 783	44 437
Net cash flow from operating activities		-215 886	-199 713
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchases of property, plant and equipment	3.2	-148 539	-49 913
Payments for capitalised technology	3.1	-83 659	-68 949
Purchases of other investments	3.5, 4.3	-57 880	0
Investments in other financial assets	3.5	-12 998	-7 849
Loan given to associates and joint ventures	3.4	0	-5 975
Investments in associates and joint ventures	3.4	-567	-3 085
Sale of subsidiaries, net of cash sold	3.4	-19 829	1 653
Acquisition of subsidiaries, net of cash acquired	3.4	26 022	0
Proceeds from sales of other investments	3.5, 4.3	3 019	0
Net cash flow from investment activities		-294 430	-134 118
CASH FLOWS FROM FINANCING ACTIVITIES[1]			
Interests paid[2]	2.7	-4 411	-4 715
Gross cash flow from share issues	5.1	2 383 259	545 984
Transaction costs from share issues	5.1	-68 297	-20 426
Proceeds from new loan	5.2	16 395	0
Payment of lease liabilities	3.3	-10 915	-8 163
Payment of non-current liabilities	5.2	-2 320	-2 700
Net cash flow from financing activities		2 313 710	509 981
Foreign currency effects on cash		3 478	86
Net change in cash and cash equivalents		1 806 872	176 235
Cash balance as of 01.01	4.4	525 982	349 747
Cash balance as of 31.12	4.4	2 332 854	525 982

[1] For reconciliation of liabilities arising from financing activities see note 3.3 and 5.2 for lease liabilities and long-term debt, respectively.
[2] Interest paid includes interest expense on lease liabilities.

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

Consolidated statement of changes in equity

Nel group

(Amounts in NOK thousands)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
	Paid in capital						
	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER RESERVE	RETAINED-EARNINGS	OTHER COMPONENTS OF EQUITY	TOTAL EQUITY
Equity as of 31.12.2018	222 710	-12	1 585 570	29 946	-309 433	50 196	1 578 977
Net loss attributable to equity holders of the company					-269 710		-269 710
Cash flow hedges						-786	-786
Currency translation differences						2 240	2 240
Increase of capital 2019	21 710		503 848				525 558
Options and share program		-2		6 310	2		6 310
Other changes					4 028		4 028
Equity as of 31.12.2019	244 421	-14	2 089 418	36 256	-575 112	51 649	1 846 618
Net income attributable to equity holders of the company					1 261 880		1 261 880
Cash flow hedges						12 230	12 230
Currency translation differences						18 151	18 151
Increase of capital 2020	37 139		2 277 822				2 314 961
Options and share program		-65	65	7 681			7 681
Other changes					6 795		6 795
Equity as of 31.12.2020	281 559	-79	4 367 306	43 937	693 563	82 029	5 468 316

OSLO, 22 MARCH 2021

THE BOARD OF DIRECTORS

Ole Enger
Chair

(Electronically signed)

Beatriz Malo de Molina
Board member

(Electronically signed)

Charlotta Falvin
Board member

(Electronically signed)

Finn Jebsen
Board member

(Electronically signed)

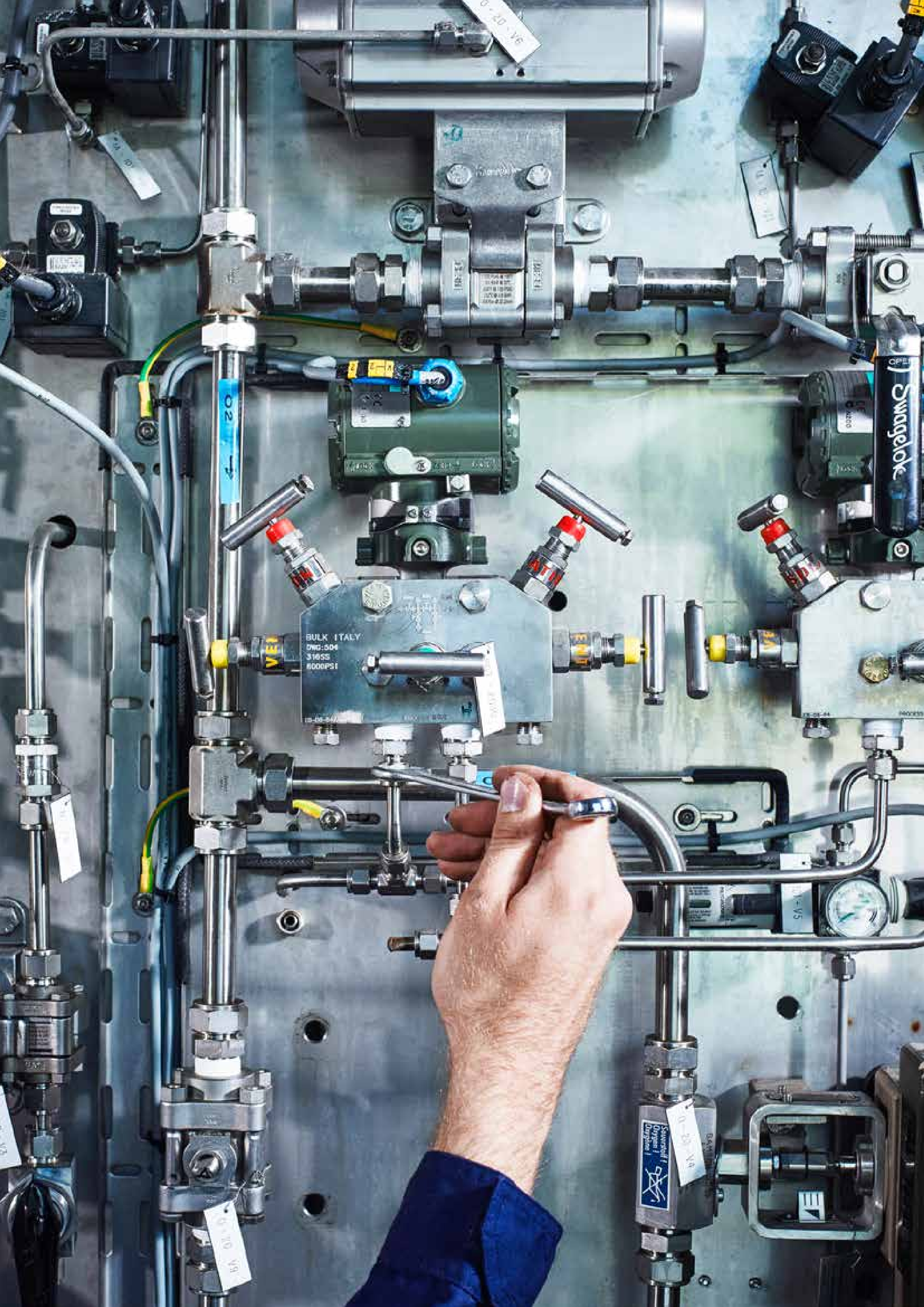
Hanne Blume
Board member

(Electronically signed)

Tom Røtjer
Board member

(Electronically signed)

Jon André Løkke
CEO
(Electronically signed)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Notes to the consolidated financial statements

1.1 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. The group had almost 400 own employees and was present in 20 countries at the end of 2020. Since its origins in 1927 as part of Norsk Hydro, Nel has a proud history of development and continuous improvement of hydrogen plants. Our hydrogen solutions cover the value chain from hydrogen production technologies to manufacturing of hydrogen fueling stations, providing all fuel cell electric vehicles (FCEVs) with the same fast fueling and long range as conventional vehicles today.

The group has two divisions: Nel Hydrogen Electrolyser and Nel Hydrogen Fueling.

The ultimate parent of the group 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 49, N-0279 Oslo, Norway.

1.2 Basis of preparation

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Accounts are based on the principle of historical cost, except for certain financial instruments, which are measured at fair value.

The consolidated financial statements are presented in Norwegian kroner (NOK). The functional currency of Nel ASA is NOK.

All values are rounded to the nearest thousand, unless when indicated otherwise. As a result of rounding differences numbers or percentages may not add up to the total. The financial statements are prepared based on a going concern assumption.

The consolidated financial statements were approved by the Board of Directors and the Chief Executive Officer on March 22, 2021.

Definition and applying of materiality judgements in preparation of these consolidated financial statements

These consolidated financial statements aim to provide useful financial information which increase the understandability of Nel and its performance. To meet the information needs of its primary users, Nel apply materiality judgments which are necessary to meet this objective, and Nel has made such judgments related to recognition, measurement, presentation and disclosures. Within these consolidated financial statements information is considered material if omitting, misstating or obscuring it could reasonably be expected to influence decisions taken by primary users based on the information provided. In practice this will lead to Nel omitting certain information if it is assessed it will obscure the material information. The materiality judgments are reassessed at each reporting date and updated based on changed facts and Nel specific circumstances.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as of 31 December 2020. 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 if, and only if, the group has power over the investee, is exposed to, 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.

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: i) The contractual arrangement with the other vote holders of the investee, ii) Rights arising from other contractual arrangements and iii) 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. There are no non-controlling interests in the Group as all subsidiaries are 100 % owned. 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 fully eliminated upon consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities and other components of equity while any transaction gain or loss is recognised in statement of comprehensive income.

Foreign exchange and currency

Transactions and balances

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

All foreign currency translations are recognised in profit or loss as finance cost except for foreign currency translations where a hedging relationship exists, and hedge accounting has been applied. Additional information is provided in note 6.2.

Consolidation of subsidiaries

The individual financial statements of a subsidiary are prepared in the subsidiary's functional currency. In preparing the consolidated financial statements, the statement of comprehensive income items from the subsidiaries are converted to NOK using the respective monthly average exchange rates, while statement of financial position items is converted using the rate at year-end. Exchange rate gains and losses are recognised net within Other comprehensive income and accumulated in Currency translation differences in Other components of equity.

Statement of comprehensive income

The Group present a single statement of 'Consolidated statement of comprehensive income' which comprise all components of profit or loss, OCI and the comprehensive income for the period.

Statement of cash flows

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

1.3 Significant accounting policies

Accounting policies and estimate uncertainty are largely incorporated into the individual notes.

Table of contents for where the significant policies are elaborated.

Revenue from contracts with customers	2.1
Research and development	3.1
Goodwill	3.1
Property, plant and equipment	3.2
Leases	3.3
Investment in associates and joint ventures	3.4
Inventories	4.1
Trade receivables	4.2
Impairment of non-derivative financial assets	4.4
Government grants	5.3
Provisions	5.5
Derivative financial instruments and hedge accounting	6.2

1.4 Changes in accounting policies

A few amendments to IFRS have been implemented for the first time in 2020. The amendments did not have any material impact for the Group. In addition, several amendments to IFRS are issued up to the date of issuance of the consolidated financial statements but are not yet effective. The Group has not applied the new IFRSs and the impact of applying the amendments is not expected to have a material impact on the Group's financial statements.

1.5 Significant accounting judgements and estimation uncertainty

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

Judgements

The following are Nel's accounting policies that involves significant judgement and complexity which have most significant effect on the amounts recognised in the consolidated financial statements, including reference to where it is discussed:

Revenue recognition	2.1
Deferred tax assets	2.8
Development costs	3.1
Leases	3.3

Assumptions and estimation uncertainty

Share-based payments	2.2
Impairment of goodwill and intangible assets	3.1

2.1 Revenue from contracts with customers

The revenue in Nel is from sale of both complete hydrogen electrolyser systems and hydrogen fueling stations, including installation, commissioning, and long-term service agreements. Additionally, Nel earns revenue from replacement parts and accessories in the aftermarket. Project execution is key in Nel's large construction projects.

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

Revenue recognition is determined on a contract-by-contract basis by determining the terms and performance obligations given in a specific contract. Based on the specific contract and its obligations, revenue under IFRS 15 is either recognised at a point in time or over time, 56 % and 44 % of revenue, respectively. Revenue is recognised over-time using the method that best depicts the pattern of the transfer of control over time. The method applied is the cost-to-cost input method, adjusted as time and goods are delivered to the customer. Contract costs are expensed as incurred.

Significant accounting judgements – revenue recognition

The Group applied the following judgements that significantly affect the determination of the i) timing and ii) amounts of revenue from contracts with customers:

i) Timing

Performance obligations

In determining whether revenue from a specific contract can be classified as customised and in turn recognised using a progress-based measurement, several criteria must be evaluated. The first criterion is related to alternative use. Manufacturing a customised product or piece of equipment for a specific customer that would require significant cost to modify to be able to transfer it to another customer, then the contract would likely meet the criteria of alternate use. The other important criterion is that 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 terminated. Upon termination at a certain time, the group should be able to recover costs incurred and a reasonable margin.

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

Total contract costs

In a customised customer project, Nel uses cost-to-cost input method when measuring progress; thus, the total cost estimates can significantly impact measured progress and revenue recognition. The total project cost comprises estimates on the ability to execute the planned engineering and design phase, the availability of skilled resources, performance of subcontractors, foreign currency and Nel's manufacturing capacity, productivity and quality.

ii) Amount

Liquidated damages (LDs)

LDs are penalties for not achieving defined milestones on time. LDs are common in construction contracts. As the payment to the customer is not in exchange for a distinct good or service that transfers to Nel, LDs must be accounted for as a reduction revenue. If a project does not meet the defined milestone in a contract, a provision reducing the transaction price is made unless it is highly probable that LD will not be imposed. The estimated LD provision is highly judgmental. The assessment of the LD provision is based on experience from similar LD situations in addition to client relationship, contractual position and status on negotiations. Nel estimates variable consideration using the most likely amount.

In some circumstances the terms may be similar to warranty provision. These LDs, which occur after customer acceptance, are accounted for as warranties.

A total of NOK 3.5 (0.0) million of variable consideration has been assessed constrained in 2020.

Type of goods or services

The group generates revenue from customer contracts from two principal sources: i) Equipment and projects and ii) Service and aftermarket. Part of the equipment and projects sales are generated from standard products and the other part are from new and customised equipment.

Standard equipment

The group recognises revenue at the point in time at which it satisfies a performance obligation by transferring the control of a good or service to the customer, generally this is at shipment. The customer has control of a good or service when it has the ability to direct the use of and obtain substantially all of the remaining benefits from the good or service. If customer acceptance of products is not assured, revenue is recorded only upon formal customer acceptance.

The point in time measurement basis has been the main method of recognising revenue in Electrolyser US division and aftermarket segment in the Electrolyser Norway division.

Customised equipment and projects

The project contracts typically comprise

- equipment (standard product or customised),
- siting, installation and commissioning of the equipment,

Revenue from sale of customised equipment and projects is determined to be a bundle of goods where all of the components constitute the combined output, i.e. one performance obligation. The performance obligation is satisfied over time and Nel recognise revenue over the period the performance obligation is satisfied, using a cost-to-cost input method that best depicts the pattern of the transfer of control over time. The contracts have mainly firm contract price including penalties (LDs). Additionally, contracts usually include service agreement and extended warranty for a specific period. Both service and extended warranty are separate performance obligations satisfied over more than 12 months.

In the circumstance that the unavoidable costs directly related to project is expected to exceed the economic benefits expected to be received under the contract, the estimated loss on the contract will be recognised in its entirety in the period when such loss is identified. Additional information for onerous contracts is disclosed in note 5.5 'Provisions".

The progress-based measurement of revenue has been the main method of recognising revenue from sale of hydrogen fueling stations and large-scale electrolyser systems.

Service and aftermarket

Service and aftermarket comprise operations and maintenance (O&M), repair, replacement parts and accessories.

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

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

The following table show the revenue from contracts with customers by type of goods or service:

	2020			2019		
SEGMENTS	FUELING	ELECTRO-LYSER	TOTAL	FUELING	ELECTRO-LYSER	TOTAL
Type of goods or service						
Equipment and projects	220 256	232 049	452 305	179 997	236 799	416 796
Service and aftermarket	81 856	44 173	126 029	42 013	60 242	102 255
TOTAL Revenue from contracts with customers	302 111	276 222	578 333	222 009	297 041	519 051
Timing of revenue recognition						
Revenue recognised at point in time	83 997	216 731	325 900	43 789	242 183	285 972
Revenue recognised over time	218 114	59 491	252 433	178 220	54 858	233 078
TOTAL Revenue from contracts with customers	302 111	276 222	578 333	222 009	297 041	519 051

Contract balances

In general, customer payments are due 30 to 60 days after being invoiced. 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 accept returns of product or provide customers refunds or other similar concessions. Larger 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 and commissioning. The payment structure of the contracts typically results in advance payments and progress billings exceed the satisfaction of performance obligations in progress. Consequently, creating a net contract liability.

Contract assets

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

Contract liabilities

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

	2020			2019		
CONTRACT BALANCES	CONTRACT ASSETS	CONTRACT LIABILITY	TOTAL	CONTRACT ASSETS	CONTRACT LIABILITY	TOTAL
Rights to consideration on contracts in progress	518 820	151 178	669 999	191 798	188 770	380 568
Less - advances and progress billings	-390 845	-344 260	-735 105	-154 695	-336 251	-490 946
TOTAL Contract assets (liabilities)	127 976	-193 082		37 103	-147 481	

CONTRACT LIABILITIES	2020	2019
Balance as of 01.01.	-147 481	-68 640
Revenue from amounts included in contract liabilities at the beginning of the period	147 481	64 799
Cash received not recognised as revenue in the period	-192 864	-143 641
Basis adjustment - effect of hedge accounting	-217	0
Balance as of 31.12.	-193 082	-147 481

CONTRACT ASSETS	2020	2019
Balance as of 01.01.	37 103	8 212
Transfers from contract assets recognised at the beginning of the period to receivables	-19 313	-8 212
Increases due to measure of progress in the period	110 185	37 103
Balance as of 31.12.	127 976	37 103

Order backlog

The performance obligations in contracts with customers vary from a few months to 4 years. The order backlog as of December 31, 2020 was NOK 981.1 million (2019: NOK 512.6 million). The transaction price allocated to the remaining performance obligations is illustrated in table below:

AS OF 31.12.2020	2021	2022	2023	2024 OR LATER	TOTAL BACKLOG
Partly unsatisfied performance obligations	470 251	280 460	12 777	7 924	771 412
Unsatisfied performance obligations	165 948	25 921	14 464	3 356	209 688
TOTAL backlog	636 199	306 380	27 241	11 280	981 100

AS OF 31.12.2019	2020	2021	2022	2023 OR LATER	TOTAL BACKLOG
Partly unsatisfied performance obligations	412 671	15 515	0	0	428 186
Unsatisfied performance obligations	79 093	4 970	316	35	84 414
TOTAL backlog	491 764	20 484	316	35	512 600

Revenue recognised in 2020 for performance obligations delivered in prior years due to revenue being constrained was NOK 0 (2019: 0)

2.2 Other operating income

OTHER OPERATING INCOME	2020	2019
Government grants	51 132	16 756
Research and design study reports	19 059	25 386
Sub-lease	2 379	1 965
Other income	978	6 550
TOTAL Other operating income	73 548	50 657

Government grants within ‘other operating income’

SEGMENT	COUNTRY	2020	2019
Electrolyser	United States	14 664	0
Electrolyser	Norway	19 774	0
Fueling	Denmark	16 693	16 756
TOTAL		51 132	16 756

Government grants related to assets, amortised	36 468	15 749
Government grants related to income	14 664	1 007
TOTAL	51 132	16 756

NOK 14.7 million of the government grants recognised within ‘other operating income’ is related to COVID-19.

2.3 Segment information

Nel operates within two operating segments, Nel Hydrogen Fueling and Nel Hydrogen Electrolyser. The identification of segments in the group is made based on the different products the division offers as well as geographical areas the divisions operate in.

Nel Hydrogen Fueling

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

Nel was among the first to achieve compliance with the international hydrogen fueling standard (SAE J2601) required by major car manufacturers. With the H2Station® technology, the ambition is to maintain the position as a preferred supplier for international hydrogen fueling infrastructure operators. Nel's Hydrogen Fueling division has global footprint, with more than 1010 H2Station® solutions delivered or in progress to 13 countries..

Nel's H2Station® manufacturing plant is located in Herning, Denmark. It has an annual production capacity of 300 hydrogen stations per year. Combining technology innovations with increased manufacturing capacity should enable Nel to further reduce the cost of hydrogen fueling station equipment.

Nel Hydrogen Electrolyser

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

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

Nel Hydrogen Electrolyser currently has production facilities in Notodden, Norway, and in Wallingford, Connecticut, USA. In August 2019, Nel announced a secured new location in Herøya Industrial Park for the planned expansion of manufacturing capacity of alkaline electrolysers. Nel plans to expand manufacturing capacity from around 40 MW/year to 500 MW/year for the first production line. The capacity at the new plant can be further expanded to beyond 2 GW/year.

The executive management group is the chief operating decision maker (CODM) and monitors the operating results of its operating segments 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.

2020	OPERATING SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING	ELECTROLYSER	OTHER[1]	TOTAL
Norway	9 916	2 809	0	12 725
United States	116 905	114 312	0	231 218
North America ex United States	0	16 218	0	16 218
Asia	105 702	35 424	0	141 126
Europe ex Norway	65 305	58 788	0	124 094
Middle East	0	11 823	0	11 823
Africa	0	28 004	0	28 004
South America	0	1 200	0	1 200
Oceania	0	11 926	0	11 926
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	297 829	280 504	0	578 333
Other operating income	16 515	57 033	0	73 548
Operating expenses	-418 866	-424 115	-60 445	-903 426
EBITDA	-106 936	-84 164	-60 445	-251 545
Depreciation and amortisation	-31 578	-23 433	-36 275	-91 286
Impairment of tangible and intangible assets	0	-71 666	0	-71 666
OPERATING LOSS	-138 514	-179 263	-96 720	-414 497
Finance income	64	53	1 675 450	1 675 567
Finance costs	-3 871	-5 956	-6 962	-16 789
Share of loss from associates and joint ventures	2 587	0	-1 344	1 242
Tax income (expense)	8 905	0	7 452	16 357
PRE-TAX INCOME (LOSS)	-130 829	-185 167	1 577 876	1 261 880
TOTAL ASSETS	883 814	1 256 306	3 996 576	6 136 696
TOTAL LIABILITIES	337 843	289 519	41 017	668 379

[1] Other and eliminations comprises parent company, holding entity, excess values on intangible assets and related depreciation and tax expense (income) derived from the consolidation of the financial statements not allocated to the operating segments.

(Amounts in NOK thousands)

2019	OPERATING SEGMENTS			
REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	FUELING	ELECTROLYSER	OTHER/ ELIMINATION[1)]	TOTAL
Norway	1 868	7 337	-34	9 171
United States	93 273	124 330	0	217 602
North America ex United States	0	13 110	0	13 110
Asia	61 700	39 053	0	100 753
Europe ex Norway	62 348	68 725	0	131 074
Middle East	0	9 341	0	9 341
Africa	0	24 546	0	24 546
South America	0	7 242	0	7 242
Oceania	2 821	3 391	0	6 212
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	222 009	297 075	-34	519 051
Other operating income	20 381	30 276	0	50 657
Operating expenses	-326 190	-375 023	-46 590	-747 802
EBITDA	-83 799	-47 672	-46 624	-178 094
Depreciation	-22 573	-17 178	-35 748	-75 500
OPERATING LOSS	-106 372	-64 850	-82 372	-253 594
Finance income	1 995	57	10 591	12 643
Finance costs	-4 728	-15 818	14 045	-6 501
Share of loss from associates and joint ventures	-29 148	0	-638	-29 786
Tax income (expense)	0	0	7 529	7 529
PRE-TAX INCOME (LOSS)	-138 253	-80 612	-50 845	-269 710
TOTAL ASSETS	472 980	582 685	1 375 008	2 430 673
TOTAL LIABILITIES	482 160	621 997	-520 102	584 055

1) Other and eliminations comprises parent company, holding entity, excess values on intangible assets and related depreciation and tax expense (income) derived from the consolidation of the financial statements not allocated to the operating segments.

	PROPERTY, PLANT AND EQUIPMENT	
GEOGRAPHICAL AREA	2020	2019
Norway	210 548	113 167
Denmark	114 489	93 589
USA	48 622	47 332
South Korea	4 392	2 082
Balance as of 31.12.	378 052	256 170

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

2.4 Raw materials

(Amounts in NOK thousands)

	2020	2019
Raw material	370 872	325 526
Freight expense	13 306	11 670
Other consumables	9 804	5 179
TOTAL	393 982	342 374

2.5 Personnel expenses

(Amounts in NOK thousands)

	2020	2019
Salaries	261 720	188 491
Social security tax	26 433	25 000
Pension expense	16 932	11 896
Other payroll expenses [1)]	24 317	17 808
TOTAL	329 402	243 194

[1)] Included here are expenses amounting to NOK 8.6 million (10.3 in 2019) related to the Group's share option program.

Average number of full time employees	360	273
Hereof women	68	60

Share option program

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

Options granted July 2018:

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

Options granted July 2019:

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

Options granted July 2020:

A total of 12.8 million share options were granted. Pursuant to the vesting schedule, 40% of the options will vest two year after the day of grant, and 60% of the options will vest three years after the day of grant. The exercise price is equal NOK 21.72 per share based on the average price of the Nel ASA share price the five trading days before grant date (NOK 20.11) and including an 8% premium. Gain per instrument is capped at NOK 5.00 maximum per share option. The options that have not been exercised will lapse 4 years after the date of grant.

Assumptions, costs and social security provisions

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

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

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

To estimate the volatility of the Nel share, the historic volatility over the expected lifetime of the options has been used. The volatility input will be frequently evaluated.

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

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

The total expense recognised for the share-based programs, excluding social security, during 2020 was NOK 7.7 (6.3) million. The total social security accruals at the end of the year is NOK 1.26 (5.98) million (social security costs on exercised options has been paid in connection with the relevant exercises, hence taken out of the accruals accounts). The total intrinsic value of the company's share-based instruments is NOK 183.1 (80.6) million at 31 December 2020.

Key assumptions option pricing model

- Volatility: 28.65%
- Interest rate 0.149%
- Dividend: 0.00

ESTIMATION UNCERTAINTY - Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate evaluation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

The group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date. The group has considered only hold equity instruments.

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

SHARE OPTION PROGRAM	OPENING BALANCE	GRANTED	EXERCISED	FORFEITED	CLOSING BALANCE	STRIKE PRICE	VALUE [1]	REMAINING CONTRACTUAL LIFE
Jon André Løkke	6 000	0	-6 000	0	0	3,00		
July 2018 tranche A [2]	1 058	0	-1 058	0	0	3,14		
July 2018 tranche B [2]	5 892	0	-5 826	-6	60	3,24	5,00	1,50
July 2019 [2]	10 632	0	0	-1 198	9 435	7,80	5,00	2,51
July 2020 [2]	0	12 841	0	-530	12 311	21,72	5,00	3,52
TOTAL	23 582	12 841	-12 884	-1 734	21 806			

	VESTED [2]					EXPIRY [2]			
NAME	2020	2021	2022	2023	TOTAL	2022	2023	2024	EXPENSE FOR THE PERIOD [1]
Kjell Christian Bjørnsen	0	0	192	128	321	0	0	321	246
Anders Søreng	0	123	309	186	618	0	308	310	83
Filip Smeets	0	0	192	128	321	0	0	321	201
Jørn Rosenlund	0	126	316	192	634	0	314	320	250
Hans Hide	0	120	306	190	616	0	300	316	83
Stein Ove Erdal	0	120	320	210	650	0	300	350	209
Caroline Duyckaerts	0	0	0	0	0	0	0	0	0
Other employees	60	3 285	9 138	6 164	18 647	60	8 213	10 374	6 609
TOTAL	60	3 774	10 774	7 198	21 806	60	9 435	12 311	7 682

[1] The value of the share options equals share price less strike price, capped at NOK 5.0.
[2] All share options are granted, vested and expired at the beginning of July in a given fiscal year.
[3] Cost of period does not include social security

No share options expired during the period. The first expiry date is 1 July 2022 for the options granted July 2018.

The weighted-average share price at the date of exercise in 2020 was 15.4 (7.1).

Pensions

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

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.

2.6 Other operating expenses

(Amounts in NOK thousands)

	2020	2019
Research and development expenditure	12 936	15 534
Utilities	12 504	10 990
Selling and administrative expenses	56 277	58 009
Professional fees	41 890	32 824
Travel expenses	12 950	20 495
IT and communication costs	16 573	12 004
Provision for potential fine	20 000	0
Other expenses	6 911	12 377
TOTAL Other operating expenses	180 042	162 234

2.7 Finance income and cost

(Amounts in NOK thousands)

	2020	2019
Interest income	14 356	9 515
Change in fair value equity instruments	1 632 006	1 771
Reversal expected credit loss	22 443	0
Gain on loss of control of subsidiary	6 372	1 211
Other	390	146
Finance income	1 675 567	12 643
Interest expense	800	913
Interest expense lease liabilities	8 792	5 009
Capitalised interest	-5 181	-1 207
Net foreign exchange loss	11 967	1 351
Other	412	435
Finance cost	16 789	6 501
Net finance income (cost)	1 658 777	6 142

Net foreign exchange loss is mainly unrealised effects from revaluing internal loans. See note 4.3 for additional information of change in fair value equity instruments.

2.8 Income taxes

Tax

The tax expense in the statement of comprehensive income comprises of the tax payable for the period and of the change in deferred tax. Deferred tax is calculated at the prevailing tax rate in the respective countries where the parent company and subsidiaries are tax resident.

Deferred tax is calculated based on temporary differences that exist between accounting and tax values, as well as any tax loss carry forward at the end of the financial year. The deferred tax asset is recognised if it is probable that the company will have a sufficient tax profit to be able to utilise the tax asset.

Significant accounting judgements - Deferred tax asset

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

The group has NOK 309.5 million of tax amounts from tax losses carried forward (NOK 209.4 million in 2019). These losses relate to subsidiaries that have a history of losses, do not expire, and to some extent may not be used to offset taxable income elsewhere in the group. On this basis, the group has determined that it cannot recognise deferred tax assets from the tax losses carried forward. Deferred tax assets not recognised in the statement of financial statement amount to NOK 309.1 million in 2020 (209.0 in 2019).

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2020	2019
Income (loss) before tax	1 245 523	-277 238
Permanent differences	-1 677 281	-15 762
Change in temporary differences	-62 798	6 923
Use of tax losses carried forward	0	0
The year's taxable income	-494 556	-286 077

RECONCILIATION OF TAX EXPENSE TO NORWEGIAN NOMINAL STATUTORY TAX RATE		
Nominal tax rate	*22 %*	*22 %*
Income (loss) before tax	1 245 523	-277 238
Tax this years Income (loss), estimated	274 015	-60 992
Tax effect of:		
Tax rates different from Norway	1 303	690
Permanent differences	-363 352	3 189
Change in deferred tax	15 051	390
Change in not recognized deferred tax assets (tax liabilities)	66 454	52 466
Other differences	-9 081	-4 662
Currency translation differences	-747	1 391
Income tax expense	-16 357	-7 529

INCOME TAX EXPENSE COMPRISE		
Income tax payable[1]	-8 905	0
Change in deferred tax	-7 452	-7 529
Total income tax expense (income)	-16 357	-7 529

[1] The income tax payable is negative due to tax credits

TAX EFFECTS OF TEMPORARY DIFFERENCES		
Trade receivables and customers contracts	-1 131	4 170
Intangible assets	73 709	76 674
Property, plant and equipment	-1 416	-1 278
Inventories	10 253	5 485
Accrued warranty	-6 872	-4 568
Leases	-3 404	-1 506
Other accruals	-26 114	-3 227
Deferred income	-11 891	-12 040
Shares and other investments	22 428	0
Tax losses carry forward	-309 480	-209 412
Deferred tax asset	-253 917	-145 701

RECONCILIATION TO STATEMENT OF FINANCIAL POSITION	2020	2019
Deferred tax asset	-253 917	-145 701
Deferred tax asset not recognised in statement of financial position	309 061	-209 044
Deferred tax liability in the statement of financial position	55 144	63 343

CHANGES IN RECOGNISED DEFERRED TAX LIABILITY	2020	2019
Balance as of 01.01.	63 343	69 481
Recognised in the income statement	-7 452	-7 529
Translation differences on deferred taxes	-747	1 391
Balance as of 31.12.	55 144	63 343

The majority of the deferred tax asset is related to tax losses carry forward. As of 31 December 2020, it is considered not to be likely that the deferred tax asset can be utilised in the near future, therefore no deferred tax asset has been capitalised. The table below shows the net operating losses carried forward by country multiplied with the tax rate, resulting in the deferred tax asset not recognised.

TAX LOSSES CARRY FORWARD BY COUNTRY	2020	2019
Norway	145 599	114 760
Denmark	72 291	31 844
United States	91 589	62 809
Balance as of 31.12.	309 480	209 412

2.9 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 considers all potential shares with dilutive effect that have been outstanding during the period. Potential shares relate to agreements that confer the right to issue shares in future. Options are excluded if their effect would have been anti-dilutive.

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.

(Amounts in NOK thousands)

	2020	2019
Net income (loss) attributable to the equity holders of the parent company and for the purpose of basic and diluted shares	1 261 880	-269 710
Basic earnings per share		
Issued ordinary shares at 1 January	1 222 103	1 113 551
Share options exercised	12 884	11 145
Share issued	172 811	97 407
Issued ordinary shares at 31 December	1 407 797	1 222 103
Effect of weighting (share options exercised and share issued during the year)	-41 242	-18 021
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 366 555	1 204 082
Basic earnings per share for loss attributable to the equity holders of the parent company (NOK)	0,92	-0,22
Diluted earnings per share		
Weighted-average number of shares outstanding for the purpose of basic earnings per share	1 366 555	1 204 082
Effect of share options on issue [1]	21 806	0
Weighted-average number of shares outstanding for the purpose of diluted earnings per share	1 388 361	1 204 082
Diluted earnings per share for loss attributable to the equity holders of the parent company (NOK)	0,91	-0,22

[1] At 31 December 2019, 25 010 000 weighted-average options were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive (earnings per share is negative).

3.1 Intangible assets

Research and development

Research

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

Development

Capitalised development costs are recognised at historical cost after the deduction of accumulated amortisations and impairments. The capitalised value is amortised over the period of expected future earnings from the related project on a straight-line basis.

Technology

As an indication of the level of internal R&D expenses, Nel currently has 22 and 42 full time employees working directly with R&D in the electrolyser and fueling division, respectively. Of the 22 full time employees working with electrolysers, 16 engineers are dedicated to R&D at Proton OnSite in Wallingford, U.S. and 6 are dedicated to the R&D at Nel Hydrogen Electrolyser AS in Notodden, Norway.

Electrolyser

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

The Electrolyser division has recognised Technology from internal development of NOK 117.9 million as of 31.12.2020.

Fueling

Nel continues to see the market of Heavy-Duty transportation move fast towards hydrogen. Therefore, in the fueling division there will be a significant investment in the development of next generation HDV equipment like high-capacity station modules and dispensers. This is to serve customers who have a need for large capacity dispensing capability, enabling fueling of a heavy-duty truck in 10-15 minutes, to achieve a range of 1 000 km. In addition, there will be ongoing investments in factory and laboratory to be able to accommodate HDV fueling equipment.

The Fueling division have recognised Technology from internal development of NOK 91.8 million as of 31.12.2020.

Significant accounting judgements - Development costs

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- How the asset will generate future economic benefits
- Its intention to complete and its ability and intention to use or sell the asset
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

To demonstrate technical feasibility and availability of resources, it should be a high certainty that Nel is able to complete. If the risk is above medium, then the development project is expensed as incurred. A capitalised development project commences amortisation when a succesful pilot is demonstrated. After a succesful pilot, the technology enters 'ramp-up' stage and subsequent expenditure is maintenance of existing technology (expensed).

Useful life, amortisation plan

- Technology has a useful life of 3-7 years
- Customer relationship has a useful life of 7-10 years
- Goodwill has indefinite life

Customer relationship

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

Goodwill

Goodwill recognised in the statement of financial positions has been acquired through business combinations. Goodwill occur as the residual in the business combination, being the excess of the aggregate of the consideration transferred and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Goodwill is initially measured at cost which is net of tax amount.

Subsequent to 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.

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	GOODWILL	TOTAL
Acquisition cost as of 01.01.2019	478 250	96 422	609 304	1 183 977
Additions from internal development	68 949	0	0	68 949
Disposals	-235	0	0	-235
Currency effects	-622	513	317	208
Acquisition cost as of 31.12.2019	546 343	96 935	609 621	1 252 899
Additions from internal development	83 659	0	0	83 659
Currency effects	428	-123	10 576	10 881
Acquisition cost as of 31.12.2020	630 430	96 812	620 198	1 347 440
Accumulated amortisation and impairment as of 01.01.2019	56 210	27 271	467	83 948
Amortisation	38 810	12 480	0	51 289
Reversed amortisation disposals	-235	0	0	-235
Currency effects	-177	0	0	-177
Accumulated amortisation and impairment as of 31.12.2019	94 607	39 750	467	134 825
Amortisation	48 310	12 367	0	60 677
Impairment	58 858	0	0	58 858
Currency effects	1 313	0	0	1 313
Accumulated amortisation and impairment as of 31.12.2020	203 089	52 117	467	255 673
Carrying value as of 31.12.2019	451 736	57 185	609 154	1 118 075
Carrying value as of 31.12.2020	427 341	44 695	619 731	1 091 767

Impairment loss NOK 58.9 million in category Technology is included within "Impairment of tangible and intangible assets" in profit or loss.

Specification of carrying amount

2020

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	GOODWILL	TOTAL
Internal development	209 807	0	0	209 807
Aqcuired separately	997	0	0	997
Acquired through business combinations	216 537	44 695	619 731	880 963
Carrying value as of 31.12.2020	427 341	44 695	619 731	1 091 767

2019

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	GOODWILL	TOTAL
Internal development	197 171	0	0	197 171
Aqcuired separately	11 750	0	0	11 750
Acquired through business combinations	242 815	57 185	609 154	909 154
Carrying value as of 31.12.2019	451 736	57 185	609 154	1 118 075

ESTIMATION UNCERTAINTY - 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 which has not commenced 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. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in this note.

Goodwill and intangible assets with indefinite useful lives - impairment considerations

Goodwill, and CGUs where goodwill has been allocated, are required to be tested for impairment annually. The group performed its annual impairment test in December 2020. Impairment losses are recognised where the recoverable amount is less than the carrying amount. There were no impairment losses recognised in 2020 and 2019.

Annual impairment test - assumptions

CGU

The annual impairment test is performed for all the Group' Cash Generating Units (CGUs). A CGU is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. The way management monitors operations assisted in the judgements of identifying the CGUs.

The Group' CGUs are

- Electrolyser Norway
- Electrolyser US
- Fueling

The group performed its annual impairment test in December 2020.

SPECIFICATION OF ALLOCATED GOODWILL PER CGU	2020	2019
Electrolyser US	263 333	270 978
Electrolyser Norway	61 364	61 364
Fueling	295 033	276 813
Balance as of 31.12.	619 731	609 154

Market capitalisation

The group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As of 31 December 2020, the market capitalisation of the group was approximately 7 times above the book value of equity, indicating no impairment of goodwill and impairment of the assets. In 2019 the market capitalisation was 4 times above the book value of equity

Key assumptions

The calculations of value in use are sensitive to several assumptions, the following are assessed key assumptions in the measured value:

- Revenue growth
- EBITDA margins
- Discount rate / Weighted average cost of capital (WACC)

Forecast period

For each CGU, a recoverable amount has been measured. The impairment test has been based on business and strategy plans approved by the Board of Directors and management's best estimate of cash flows. The recoverable amount is based on a discounted cash flow model determined value in use, which are based on the following:

i) the future expectations reflected in the current budget and strategy over the next 5-year period (forecast period); and
ii) a declining growth rate for the subsequent five years as Nel assesses that 2025 is not a steady state of the hydrogen industry and not for Nel, specifically.

Nel has applied declining growth rates starting from 7 % in 2026 declining 1 % yearly, down to 2 % annual growth from 2030.

Discount rate

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 to reflect a pre-tax nominal discount rate. Pre-tax nominal discount rate is in the range of 9.3 % to 12.5 %.

Annual impairment test – results and sensitivity

The impairment test has been prepared in accordance with IAS 36 impairment of non-financial assets following the discounted cash flow methodology for value in use within the standard. The cash flows projections relate to the cash-generating unit in the current condition which means future investments not commenced has not been included in the valuation. In addition, the standard encourages a conservative valuation to ensure that assets are not carried at more than their recoverable amount.

(Amounts in NOK thousands)

	ELECTROLYSER US	ELECTROLYSER NORWAY	FUELING
Goodwill	263 333	61 364	295 033
Other intangible assets	284 058	82 321	105 658
Other invested capital	94 520	188 497	117 094
Carrying value	641 910	332 182	517 784
Recoverable amount	789 632	1 204 023	983 817
Headroom	147 722	871 841	466 032
Pre-tax nominal discount rate	12.5 %	11.4 %	9.3 %
Terminal growth rate	2.0 %	2.0 %	2.0 %

ELECTROLYSER US

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

The table below show the sensitivity analysis for the range of +/-2% in WACC and +/-4% in EBITDA margin.

Sensitivity in headroom (amounts in NOK million)		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	36	393	750	1 107	1 464
	-1.0%	-186	104	394	684	974
	0.0%	-339	-95	**148***	391	634
	1.0%	-449	-240	-31	177	386
	2.0%	-531	-348	-166	16	197

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

ELECTROLYSER NORWAY

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

The table below show the sensitivity analysis for the range of +/-2% in WACC and +/-4% in EBITDA margin.

Sensitivity in headroom (amounts in NOK million)		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	631	1 190	1 749	2 307	2 861
	-1.0%	303	772	1 240	1 708	2 171
	0.0%	68	470	**872***	1 273	1 670
	1.0%	-108	243	594	945	1 291
	2.0%	-243	68	379	689	995

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

FUELING

Fueling is the Group' segment for the Hydrogen fueling technology. The CGU covers the production and manufacturing of hydrogen refueling stations in Herning, Denmark. The operations consist of both assembly of hydrogen refueling stations, marketing activities and product development. The Fueling segment offers H2Stations for fast fueling of fuel cell electric vehicles as well as services in relation to the supply of these stations. The objective of the segment is to deliver world class fueling stations offering a complete solution from sourcing and storage of hydrogen to fueling of vehicles.

The table below show the sensitivity analysis for the range of +/-2% in WACC and +/-4% in EBITDA margin.

Sensitivity in headroom (amounts in NOK million)		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
CHANGES IN WACC	-2.0%	164	820	1 477	2 133	2 774
	-1.0%	-208	328	864	1 400	1 921
	0.0%	-447	9	**466***	923	1 364
	1.0%	-612	-211	189	589	975
	2.0%	-730	-372	-13	345	688

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

Additional sensitivities –assumptions

Amount by which each key assumption must change for the headroom to be reduced to 0 (percentage point change in terminal):

CGU/ KEY ASSUMPTION	ELECTROLYSER US	ELECTROLYSER NORWAY	FUELING
Revenue growth	-32.0%	-442.5%	-57.0%
Free cash flow margin	-1.0%	-5.5%	-2.2%
Growth rate	-1.3%	-15.5%	-3.5%
Pre-tax nominal discount rate	0.8%	4.5%	2.0%

3.2 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

Property, plant and equipment are measured using the cost model; thus, recognised at cost price after deduction for accumulated depreciation and any impairment. Cost prices include purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

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.

(Amounts in NOK thousands)

	ASSET UNDER CON-STRUCTION	OFFICE MACHINES AND OTHER EQUIPMENT	PRODUCTION EQUIPMENT	BUILDINGS	TECHNICAL INSTALLATIONS	RIGHT-OF-USE ASSETS (NOTE 3.3)	TOTAL
Acquisition cost as of 01.01.2019	0	22 863	24 248	113 618	5 479	36 034	202 242
Additions	26 219	16 331	7 116	1 455	0	55 919	107 039
Disposals	0	-442	-509	-28	0	2 025	1 046
Reclassification	0	0	0	0	0	0	0
Currency effects	0	112	89	565	-2	219	982
Acquisition cost as of 31.12.2019	26 219	38 864	30 943	115 611	5 476	94 197	311 310
Additions	109 381	14 516	8 461	21 363	0	4 155	157 876
Disposals	0	-2 057	-4 253	-122	0	0	-6 432
Reclassification	-3 341	2 811	530	0	0	0	0
Remeasurement	0	0	0	0	0	2 063	2 063
Currency effects	-69	-389	-14	6 274	18	-96	5 724
Acquisition cost as of 31.12.2020	132 190	53 745	35 667	143 126	5 494	100 320	470 542
Accumulated depreciation as of 01.01.2019	0	11 697	10 713	7 070	1 345	0	30 825
Depreciation	0	6 330	4 697	3 325	0	9 856	24 209
Reversed depreciation	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0	0
Currency effects	0	73	84	-48	-2	0	106
Accumulated depreciation as of 31.12.2019		18 100	15 494	10 347	1 343	9 856	55 140
Depreciation	0	6 793	5 302	3 455	542	14 518	30 609
Impairment	11 827	0	980	0	0	0	12 807
Reversed depreciation disposals	0	-1 856	-4 402	-122	0	0	-6 380
Reclassification	0	-42	0	0	0	0	-42
Currency effects	0	18	-162	492	9	0	356
Accumulated depreciation as of 31.12.2020	11 827	23 012	17 211	14 172	1 894	24 374	92 490
Carrying value as of 31.12.2019	26 219	20 764	15 449	105 264	4 133	84 341	256 170
Carrying value as of 31.12.2020	120 363	30 733	18 456	128 954	3 600	75 946	378 052

Herøya expansion
Nel is expanding electrolyser production to accommodate large-scale projects by constructing a fully-automated manufacturing facility at Herøya, Norway. This factory will represent the first industrial-scale production of the most efficient electrolysers on the market, at a game-changing low cost.

The amount of expenditures recognised in the carrying amount for Herøya expansion in the course of construction is NOK 114.0 (13.8) million as of 31 December 2020. Total contractual commitments for the acquisition of physical components within property, plant and equipment are NOK 171.6 million, related to the Herøya expansion in the Electrolyser division.

Useful life, depreciation plan
- Office machines and other equipment have a useful life of 3-5 years
- Production equipment has a useful life of 3-8 years
- Buildings have a useful life of 30-40 years
- Technical installations have a useful life of 15-10 years
- Right of use assets have a useful life of 2-10 years

Impairment
An assessment of impairment of property, plant and equipment is made if there is an indication of impairment. If the impairment test reveals that an asset's carrying amount is higher than the recoverable amount, an impairment loss will be recognised. The impairment loss of NOK 12.8 million has been included within "Impairment of tangible and intangible assets" in profit or loss.

Property, plant and equipment is included in 'other invested capital' allocated to the respective CGU's for the annual impairment test where goodwill is allocated. See note 3.1 for impairment considerations for other invested capital.

3.3 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Refer to section significant accounting judgements – estimating the incremental borrowing rate (IBR) for additional information.

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

Payments for insurance, property tax and VAT are excluded from the lease payments amount as they are defined variable lease payments.

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

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

Significant accounting judgements - Estimating the incremental borrowing rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The Group determines its incremental borrowing rate by considering various interest rates (risk free rate as 10 year government bonds, and risk premiums) and makes certain adjustments to reflect the terms of the lease, the type of the asset leased and certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The group has lease contracts for various items of manufacturing facilities, offices, warehouse, parking, vehicles and other equipment used in its operations. Leases of manufacturing facilities generally have lease terms between 10 and 15 years, while offices, warehouse and parking have 5 years and motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

'Manufacturing facilities' comprise the Group's two significant leases in the manufacturing facilities at Herøya (Norway) and Wallingford (US).

Right-of-use assets

(Amounts in NOK thousands)

	MANUFACTURING FACILITIES	OFFICE, WAREHOUSE AND PARKING	MOTOR VEHICLES	EQUIPMENT	TOTAL
As of 01.01.2019 (initial application)	30 836	3 795	1 062	342	36 034
Additions	50 028	4 866	1 025	0	55 919
Remeasurement	0	2 025	0	0	2 025
Depreciation	-6 369	-2 710	-605	-173	-9 856
Translation difference	190	31	-7	4	219
As of 31.12.2019	74 685	8 008	1 475	173	84 341
Additions	0	874	2 613	669	4 155
Remeasurement	1 637	568	-142	0	2 063
Depreciation	-9 220	-3 887	-1 114	-296	-14 518
Translation difference	-133	-9	31	15	-96
As of 31.12.2020 (note 3.2)	66 969	5 554	2 862	560	75 946

Lease liabilities

The table below show the carrying amounts of lease liabilities (both current and non-current portion) and the movements during the period:

(Amounts in NOK thousands)

	2020	2019
Balance as of 01.01.	91 187	39 748
Additions	4 155	55 919
Remeasurement	2 061	2 025
Accretion of interest	8 792	5 010
Lease payments	-14 526	-11 966
Translation differences	-252	450
Balance as of 31.12.	91 416	91 187
Current	14 291	12 066
Non-current	77 125	79 121
Balance as of 31.12.	91 416	91 187

The maturity analysis of undiscounted cash flow in lease liabilities are disclosed in Note 5.2. The difference between discounted cash flows and undiscounted cash flows (discount effect) is NOK 70.9 million. The discount effect is mainly related to the manufacturing facility at Herøya with an included lease term until 2035.

Reconciliation of liabilities arising from financing activities in statement of cash flows, split in cash flows and non-cash changes.

(Amounts in NOK thousands)

	2020	2019
Balance as of 01.01.	91 187	39 748
Cash flows principal amount	-10 915	-8 164
Cash flows interests	-3 611	-3 802
Non-cash changes:		
Additions and remeasurements	6 216	57 944
Accretion of interest expense	3 611	3 802
Accretion of capitalised interests	5 181	1 208
Foreign currency effects	-252	450
Balance as of 31.12.	91 416	91 187

Amounts recognised in profit or loss

	2020	2019
Depreciation expense of right-of-use assets	-14 518	-9 856
Interest expense on lease liabilities	-3 611	-3 802
Income from subleasing right-of-use assets	2 379	1 965
Expense relating to leases of low-value assets	-203	-190
Expense relating to short-term leases, excluding short-term leases of low-value assets	-131	0
TOTAL amount recognised in profit or loss	-16 084	-11 883

Other information

Total cash outflow for leases as a lessee	14 860	12 184
Weighted incremental borrowing rate used as discount rate for the measuring of lease liabilities	9.6 %	9.6 %

Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

Significant accounting judgements - Determining the lease term of contracts with renewal and termination options - Group as a lessee.

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

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

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

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

	2021	2022	2023-2025	2025<
Extension options not reasonably certain to exercise	0	0	11 250	63 749
Termination options expected to be exercised	0	0	5 040	46 200
TOTAL	0	0	16 290	109 949

As a lessor

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

3.4 Investments in associated companies and joint ventures

An associate is an entity where the group has significant influence, but not control or joint control.

A joint venture is an entity where the group has joint control contractually together with one or several other parties, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

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

The IFRS financial statements of the associate and joint venture are adjusted to reflect differences in accounting policies. No dividends have been received during 2020 or 2019.

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

(Amounts in NOK thousands)

					ACQUISITION COST		CARRYING VALUES	
	COUNTRY	SEGMENT	OWNERSHIP	TYPE	2020	2019	2020	2019
Sagim SAS	France	Electrolyser	37,03 %	Associate	100	100	100	100
Glomfjord Hydrogen AS	Norway	Electrolyser	33,33 %	Associate	467	200	467	200
SUM associated companies					567	300	567	2 768
Hyon AS	Norway	Fueling	33,33 %	Joint venture	3 350	3 050	0	0
Íslenska Vetnisfélagið	Iceland	Fueling	10,00 %	Joint venture	2 346	2 346	0	0
Green H2 Norway	Norway	Fueling	25,00 %	Joint venture	1 028	1 028	723	1 028
SUM joint ventures					6 724	6 424	723	1 028
TOTAL associated companies and joint ventures					7 291	6 724	1 289	3 795

Long-term loans

Long-term loan that forms part of the net investment in the associate or joint venture are measured at amortised cost.

(Amounts in NOK thousands)

LONG-TERM LOAN ASSOCIATES AND JOINT VENTURES	2020	2019
Balance as of 01.01.	0	22 288
Reversal of expected credit losses	22 288	0
Repayment of loan	-6 536	0
Provision for expected credit losses	0	-22 288
Accrued interest	344	0
Debt conversion[1]	-16 096	0
Balance as of 31.12.	0	0

[1] In December 2020, the group completed a debt conversion of NOK 16.1 million in Everfuel Retail Norway AS

In 2019 the loss allowance was affected by 22.3 million of receivables from Everfuel Retail Norway AS (former joint venture Uno-X Hydrogen AS). The 100% loss allowance was based on a prudent approach due to the limited activity in the company at that point in time. During 2020 the company has been through a successful restructuring including both new capital and activity has restarted. This has seen a reversal of the previous loss allowance as Nel has received full value for the receivable in 2020. The investment is no longer a joint venture of Nel.
The expected credit loss model in IFRS 9 applies and any losses is recognised within 'Share of loss from associate and joint venture' in the statement of comprehensive income.

(Amounts in NOK thousands)

MOVEMENT IN THE ALLOWANCE FOR EXPECTED CREDIT LOSSES OF LONG-TERM LOAN	2020	2019
Balance as of 01.01.	22 288	0
Provision for expected credit losses	0	22 288
Reversal of expected credit losses	-22 288	0
Balance as of 31.12.	0	22 288

(Amounts in NOK thousands)

MOVEMENTS IN ASSOCIATES AND JOINT VENTURES	GREEN H2 NORWAY	EVERFUEL RETAIL NORWAY AS	HYON AS	EVERFUEL EUROPE A/S	OTHER	TOTAL
As of 01.01.2019	0	14 595	1 325	0	2 531	18 451
Added capital in 2019	1 028	5 000	0	2 057	975	9 060
Share of loss from associate/joint venture	0	-25 254	-1 325	0	-3 206	-29 785
Change in ownership	0	0	0	411	0	411
Other	0	5 659	0	0	0	5 659
As of 01.01.2020	1 028	0	0	2 468	300	3 795
Added capital in 2020	0	0	300	0	267	567
Share of loss from associate/joint venture	-305	0	-300	-739	0	-1 344
Change in ownership	0	0	0	-1 728	0	-1 728
As of 31.12.2020	723	0	0	0	567	1 289

Danish Hydrogen Fuel A/S

During 2020 the Group has sold its shareholding and investments in Danish Hydrogen Fuel A/S. The carrying value of the investment per 31.12.2020 was NOK 0 and a gain on sale of NOK 2.6 million has been recognised in the profit or loss in 2020 within 'Share of profit (loss) from associates and joint ventures'.

Everfuel Retail Norway AS

Everfuel Retail Norway AS is the new name of the former company Uno-X Hydrogen AS with the purpose of distributing Hydrogen to end customers in Norway. On June 30, 2020, Nel acquired all shares in former joint venture Uno-X Hydrogen AS, resulting in a 100 % owned subsidiary. Later, on December 30, 2020, Nel sold 51 % of the shares to Everfuel Norway AS, consequently loss of control and a sale of subsidiary. Per 31 December 2020 Nel owns 49 % of the shares in the company but has no control over the shares as the shares are effectively sold through put and call options. The fair value of the forward (sale of 49 % shares in the company) has been recognised as a short-term receivable within 'other current assets'. See note 4.3 for additional information.

The effects of acquisition and sale of a subsidiary during the year has had the following impact on the profit or loss and statement of financial position:

TYPE	FINANCIAL STATEMENT CAPTION	2020
Forward	Other current assets	24 998
Contingent liability	Other current liabilities	-3 711
Net assets	Retained earnings	21 286
Depreciation expense	Depreciation and amortisation	-601
Professional fee	Other operating expenses	-495
Gain on loss of control of subsidiary	Finance income	6 372
Reversal expected credit loss	Finance income	15 752
Interest income	Finance income	259
Profits	Pre-tax income	21 286

Joint venture

Green H2 Norway (25%):

Green H2 Norway is a joint venture in which the Group has joint control and a 25% ownership interest and is one of the Group's strategic investments for the electrolyser segment. Green H2 Norway aims to establish hydrogen production facilities in Norway to supply hydrogen to Hyundai trucks which are expected in Norway from 2021. Green H2 Norway is equally owned by the four involved parties and will in dialogue with other potential partners as well as national authorities initiate the first project in 2021, which will include exploring sector coupling aspects of large-scale electrolysis-based hydrogen production. Green H2 Norway is intended to be the exclusive supplier of hydrogen for Hyundai trucks in Norway.

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

Hyon AS (33.33%):

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

3.5 Non-current financial assets

(Amounts in NOK thousands)

	2020	2019
Investment in Hydrogen Energy Network (HyNet)	19 984	7 849
Long-term investments	41 410	9 464
Fair value of derivatives (note 6.2)	8 181	0
Prepayments	190	263
Other non-current financial assets	2 069	816
Balance as of 31.12.	71 835	18 392

Hydrogen Energy Network (HyNet).

During 2020, the Group invested NOK 13.0 (7.8) million in Hydrogen Energy Network (HyNet). The cost of shares in Hynet is NOK 20.8 (7.8) million at 31 December 2020. The group has joint control and a 4.75 % ownership interest. HyNet is structured as a Special Purpose Company and is principally engaged in expanding the hydrogen fueling infrastructure in South Korea. The shares are unquoted and there have not been any transactions of an identical or similar instrument. The shares are stated at the cost price of the shares which is the approximate fair value at year end. Fair value information has not been disclosed for the investment in note 6.3 because the fair value cannot be measured reliably.

Long-term investments

Nel occasionally enters contracts with customers with specific guarantee clauses that require Nel to purchase certain performance bonds or advance payment guarantee products from financial institutions. The products are secured by cash collateral.

In addition, Nel has some lease agreements which require deposits in a restricted bank account throughout the lease term.

Both cash collateral and deposits are assessed as investments (i.e. not cash or cash equivalents) as the maturity exceeds 3 months. Long-term investments include the investments that exceed 12 months.

Performance and warranty bonds

NOK 6.6 (9.5) million relates to outstanding irrevocable letters of credit used as assurance for bid and contract performance, these letters of credit mature between 31 December 2020 and 2 March 2024. As of 31 December 2020, the customers have drawn NOK 0.0 (0.0) million on the letters of credit.

Advance payment guarantee

Generally, in the contracts with customers, Nel receives advance payments. At 31 December 2020, Nel has NOK 8.4 (0.0) as cash collateral for irrevocable letters of credit issued for advance payment guarantees with financial institutions. As of 31 December 2020, the customers have drawn NOK 0.0 (0.0) million on the letters of credit.

Lease payments guarantee (deposits) and other deposits

Deposits for lease payments comprise security for lease payments throughout the lease terms for cars, office premises and manufacturing facilities. Other deposits comprise cash collateral for foreign exchange forward contracts. At 31 December 2020 the Group has NOK 26.4 (0.0) million in such deposits.

4.1 Inventories

Inventories comprise purchased raw materials, work in progress and finished goods. Obsolescence is considered for inventories and write-down is performed on obsolete goods.

Inventories are measured under the weighted-average cost formula. The cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items bought or produced during the period. The average is calculated on a quarterly basis.

(Amounts in NOK thousands)

	2020	2019
Raw material	37 140	152 604
Work in progress	51 192	40 013
Finished goods	152 882	12 968
Allowance for obscolete inventory	-4 085	-351
Balance as of 31.12.	237 129	205 234

Inventories are measured at the lowest of cost and net realisable value less costs to sell. In both 2019 and 2020, inventories are measured at cost.

The amount of inventories recognised as an expense was NOK 382.9 (234.3) million during the period.

4.2 Trade receivables

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

(Amounts in NOK thousands)

	2020	2019
Receivables from third-party customers	102 495	211 352
Allowance for expected credit losses	-1 046	-28 018
Balance as of 31.12.	101 449	183 333

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

Movements in the allowance for impairment in respect of trade receivables

(Amounts in NOK thousands)

	2020	2019
Balance as of 01.01.	28 018	1 743
Amounts written off	0	-313
Net remeasurement of loss allowance	-26 972	26 588
Balance as of 31.12.	1 046	28 018

See Note 6.1 on credit risk of trade receivables, which explains how the group manages and measures expected credit loss of trade receivables that are neither past due nor impaired.

In 2019 the net remeasurement of loss allowance was affected by NOK 25.0 million of trade receivables from Uno-X Hydrogen AS. The 100% loss allowance was based on a prudent approach due to the limited activity in the company at that point in time and the probability of termination. In 2020 the contract has been terminated and the loss allowance has been remeasured. The loss allowance had no effect on profit or loss as it reduced the contract liabilities in the statement of financial position with the same amount.

Expected credit loss

Nel recognises loss allowances for 'Expected Credit Loss' (ECL) on:
a) Financial assets measured at amortised cost; and
b) Contract assets

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

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

Measurement of ECLs

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

Presentation of allowance for ECL in the statement of financial position

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

4.3 Prepaid expenses and other current assets

(Amounts in NOK thousands)

	2020	2019
Equity instruments	1 686 405	43 902
VAT net receivable	13 106	7 486
Short-term investments	47 826	0
Prepayments	18 543	25 291
Other current assets	17 878	5 109
Fair value of derivatives (note 6.2)	10 587	803
Balance as of 31.12.	1 794 345	82 590

Equity instruments

Nikola Corporation

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

On June 4, 2020 Nikola Corporation completed a listing on Nasdaq. Consequently, Nel's shareholding in Nikola Corporation is based on quoted prices in an active market per 31 December 2020. The Nikola shares lock-up period has expired on November 30, 2020. Thus, there is no lock-up restriction with the shareholding as of 31 December 2020.

The carrying value per 31 December 2020 is NOK 144.1 million. The carrying value is calculated as the shareholding of 1 106 520 shares multiplied with closing price in 2020 of USD 15.26, revalued at USD/NOK 8.53.

Nikola Corporation

(Amounts in NOK thousands)

	SHARE-HOLDING	FAIR VALUE USD/PER SHARE	USD VALUE	USD/NOK	BOOK VALUE
Carrying value as of 01.01.2019	582 073	8,59	5 000	8,43	42 131
Fair value adjustment 2019	0	0,00		0,35	1 771
Carrying value of 01.01.2020	582 073	8,59	5 000	8,78	43 902
Fair value adjustment 2020	524 447	6,67		-0,25	100 176
Carrying value as of 31.12.2020	1 106 520	15,26	16 885	8,53	144 077

Everfuel

During 2018 and 2019 Nel invested NOK 2.2 million in Everfuel A/S. Per 31 December 2019, Nel had significant influence in the company and it was classified as an associate (see note 3.4). The shares were unquoted and there had not been any transactions of a similar instrument post purchase. The carrying value of NOK 2.5 million per 31 December 2019 was the cost price adjusted for share of loss in the company (equity accounted investee)

On October 21, 2020 Everfuel A/S completed a listing on Oslo Euronext Growth. Consequently, Nel's shareholding in Everfuel A/S is based on quoted prices in an active market per 31 December 2020. At this point in time, Nel's ownership was diluted and has no longer significant influence. The Everfuel shares are subject to a lock-up expiring on October 29, 2021.

The carrying value per 31 December 2020 is NOK 1 542.3 million. The carrying value is calculated as the shareholding of 12 338 624 shares multiplied with closing price in 2020 of NOK 125.00.

Everfuel A/S

(Amounts in NOK thousands)

	SHARE-HOLDING	ACQUISITION COST NOK/ PER SHARE	FAIR VALUE NOK/PER SHARE	BOOK VALUE
Carrying value as of 01.01.2020				2 468
Share of loss from equity account investees				-739
Private placement				8 770
Fair value adjustment equity instrument				1 531 830
Carrying value as of 31.12.2020	12 338 624	0,85	125,00	1 542 328

Short-term investments

Everfuel Retail Norway AS

Per 31 December 2020 the Group holds 49 % of the shares in the company. In addition to the shares, the Group holds a put option for all the shares, and the controlling owner has a call option for all of the shares. Both options are irrevocably granted by the other party from 30 December 2020. Consequently, the combination of shares and put/call options results in the shares being sold per 31 December 2020 and consideration will be received in a future period. The forward (consideration for sale of shares) is recognised at fair value, NOK 25.0 million per 31 December 2020.

Performance and warranty bonds, advance payment guarantee and lease payments guarantee (deposits)

Guarantees are included as short-term investments with NOK 22.8 (0.0) million. This is the short-term equivalent to the long-term investments, see note 3.5 for additional information.

4.4 Cash and cash equivalents

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

(Amounts in NOK thousands)

	2020	2019
Cash and cash equivalents	2 326 613	469 961
Restricted bank deposits for employees' withheld taxes at 31.12	5 790	2 831
Other restricted bank accounts 1)	451	53 189
Balance as of 31.12.	2 332 854	525 982

5.1 Share capital and shareholders

Share capital

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

As of 31 December 2020, the group's share capital was NOK 281.6 (244.4) million, consisting of 1 407 797 488 (1 222 102 783) shares each with a par value of NOK 0.20 (0.20).

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

2020

SHAREHOLDERS AS OF 31.12.2020	COUNTRY	NUMBER OF SHARES	OWNERSHIP
CLEARSTREAM BANKING S.A.	Luxembourg	606 680 122	43,09 %
State Street Bank and Trust Comp	Denmark	29 337 471	2,08 %
FOLKETRYGDFONDET	Norway	29 018 393	2,06 %
SIX SIS AG	Switzerland	25 561 778	1,82 %
JPMorgan Chase Bank	Sweden	22 082 116	1,57 %
Nordnet Bank AB	Sweden	19 865 525	1,41 %
The Bank of New York Mellon SA/NV	Switzerland	18 126 830	1,29 %
UBS Switzerland AG	Germany	16 320 812	1,16 %
State Street Bank and Trust Comp	Norway	14 237 140	1,01 %
J.P. Morgan Bank Luxembourg S.A.	Norway	13 628 159	0,97 %
Avanza Bank AB	Denmark	12 051 639	0,86 %
State Street Bank and Trust Comp	Norway	11 554 434	0,82 %
VERDIPAPIRFONDET KLP AKSJENORGE IN	United Kingdom	8 807 787	0,63 %
Deutsche Bank Aktiengesellschaft	Denmark	8 370 358	0,59 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	United States	8 353 671	0,59 %
JPMorgan Chase Bank	United States	8 223 863	0,58 %
CACEIS Bank	Norway	8 106 407	0,58 %
Nordea Bank Abp	Luxembourg	7 994 715	0,57 %
NORDNET LIVSFORSIKRING AS	Norway	7 790 118	0,55 %
VPF DNB AM NORSKE AKSJER	Ireland	7 760 336	0,55 %
Total 20 largest shareholders		883 871 674	62,78 %
Total remaining shareholders		523 925 814	37,22 %
Total number of shares		1 407 797 488	100,00 %

As of 31 December 2020, Nel ASA owned 396 342 treasury shares which are recognised at par value NOK 0.20 within ‘treasury shares’ as a reduction of share capital and total equity.

2019

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

As of 31 December 2019, Nel ASA owned 5 196 treasury shares which are recognised at par value NOK 0.20 within ‘treasury shares’ as a reduction of share capital and total equity.

5.2 Long-term debt and guarantees

(Amounts in NOK thousands)

LONG-TERM DEBT - LENDER	LEGAL ENTITY	MATURITY	INTEREST RATE	2020	2019
Innovasjon Norge	Nel Hydrogen Electrolyser AS	December 2020	5,75 %	0	417
Nykredit - Industriparken 34	Nel Hydrogen A/S	2038	0,26 %	4 969	4 845
Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0,36 %	17 734	17 734
Nykredit - Vejlevej 5 - Ejendom	Nel Hydrogen A/S	2038	0,27 %	5 971	5 971
Nykredit - Vejlevej 3	Nel Hydrogen A/S	2028	0,30 %	1 610	1 610
Balance as of 31.12.				30 284	30 577

Reconciliation of liabilities arising from financing activities

(Amounts in NOK thousands)

	2020	2019
Balance as of 01.01.	30 577	32 859
New loan	16 395	0
Payment of loan	-2 320	-2 410
Non-cash changes:		
Reclassified to government grants	-16 395	0
Accretion of interest	600	585
Foreign currency effects	1 428	-457
Balance as of 31.12.	30 284	30 577

Maturity analysis

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

2020

	2021	2022	2023	2024	2025<	TOTAL
Nykredit	1 747	1 753	1 760	1 772	23 127	30 160
Lease liabilities (note 3.3)	16 573	17 727	20 760	14 946	92 288	162 294
Estimated interest cost [1]	536	504	471	433	3 236	5 180
TOTAL long-term debt including interest	18 857	19 985	22 991	17 152	118 650	197 635

[1] Based on prevailing debt installment agreements and interest rates.

2019

	2020	2021	2022	2023	2024<	TOTAL
Innovasjon Norge	417	0	0	0	0	417
Nykredit	1 747	1 753	1 760	1 772	23 127	30 160
Lease liabilities (note 3.3)	13 146	12 185	15 603	19 015	103 610	163 559
Estimated interest cost [1]	596	520	473	433	3 236	5 257
Total long-term debt including interest	15 906	14 458	17 836	21 221	129 973	199 393

[1] Based on prevailing debt installment agreements and interest rates.

5.3 Deferred income

(Amounts in NOK thousands)

	2020	2019
Governments grants	63 601	59 015
TOTAL deferred income	63 601	59 015

Government grants

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

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

(Amounts in NOK thousands)

	2020	2019
As of 31.12.2019	59 015	48 941
Grants received	53 195	26 830
Income recognised within 'other operating income' in 2020 (note 2.2)	-51 132	-16 756
Translation difference	2 523	0
As of 31.12.2020	63 601	59 015

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

DEFERRED INCOME AGING SCHEDULE	<2017	2017	2018	2019	2020	SUM
Government grants as of 31.12.2020	5 154	6 655	7 740	12 192	31 860	63 601
Government grants as of 31.12.2019	10 453	9 936	11 776	26 851		59 015

The table below show the split of deferred income (government grant) per operating segment.

OPERATING SEGMENT	COUNTRY	2020	2019
Electrolyser Norway	Norway	27 557	29 147
Fueling	Denmark	36 044	29 868
Balance as of 31.12.		63 601	59 015

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

5.4 Other liabilities

Other current liabilities

(Amounts in NOK thousands)

	2020	2019
Vacation allowance and other salary related accruals	44 937	25 323
Public duties payable	8 432	5 387
Other current liabilities	10 431	18 878
Fair value of derivatives (note 6.2)	3 608	1 623
Balance as of 31.12.	67 407	51 211

Other non-current liabilities

(Amounts in NOK thousands)

	2020	2019
Notes payable to former shareholders in acquired companies	9 002	14 019
Other non-current liabilities	1 301	1 088
Fair value of derivatives (note 6.2)	836	232
Balance as of 31.12.	11 140	15 340

5.5 Provisions

Provisions, contingent liabilities and contingent assets

The group makes provisions when a legal or constructive obligation exists as a result of past events, it is more likely than not that a transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. When the group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. When the effect is significant, provisions are calculated by discounting expected cash flows at a pre-tax rate that reflects the time value of money and if appropriate the risks specific to the liability. Increase in provisions as a result of time passing, is presented as interest expense.

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

Warranty costs

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

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

(Amounts in NOK thousands)

	ACCRUED WARRANTY	SOSIAL SECURITY SHARE OPTIONS	SETTLEMENT AND CLAIMS	ONEROUS CONTRACTS	TOTAL
As of 01.01.2019	15 559	2 015	0	5 821	23 396
Additions	8 591	4 878	20 471	4 013	37 952
Used during the year	-6 429	-849	-10 465	-9 834	-27 577
Reversal of unused provisions	0	-66	0	0	-66
As of 31.12.2019	17 721	5 977	10 006	0	33 704
Additions	23 068	1 201	27 620	14 199	58 468
Used during the year	-8 109	-5 921	-9 696	0	-23 726
Reversal of unused provisions	-1 177	0	0	0	-1 177
Foreign currency translation	158	0	-190	-121	-153
As of 31.12.2020	31 661	1 257	27 739	14 078	74 735

Accrued warranty

Warranty terms vary by product and operating segment. Nel provides warranty that product complies with specification, and offer repair, replacement or refund of consideration paid for breaches. Such warranties are limited in time, for most products not exceeding 12 months. Some customers purchase extended warranty exceeding the first 12 months. Warranty is based on both contractual commitments and caused by liability under background law. Accrued warranty provision is based on experience assumptions and provision comprises a percentage of revenue from contracts with customers, in the range of 2 % to 6 %.

Social security share options

Social security stock options are the provision for social security payable in Norway, calculated at the intrinsic value pr 31.12.2020. The provision fluctuates with the number of active options, timing of exercise and Nel ASA share price. See note 2.5 for further information on share option program.

Settlement and claims
Settlement and claims comprises disputes, claims and fines where it is assessed a cash outflow is probable (more likely than not to occur). In 2019 Nel booked a provision of NOK 20.5 million related to the Kjørbo incident. At the end of 2020 most this initial provision has been used and planned extra cost has incurred. The remaining provision is mainly the addition in 2020 of NOK 20 million which is related to the potential fines (no: forelegg) received on February 16, 2021.

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

6.1 Operational risk factors

Objectives, policies and processes for managing capital
The group's objective as it relates to capital management is to safeguard its ability to continue as a going concern and to enable execution of its stated strategy, so that it can provide returns to shareholders and benefits for other stakeholders. The group allocates and raises capital in relation to business strategy, risk management and financial or commercial market conditions. The group manages the capital structure and adjusts 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 or increase the debt by taking up loans.

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 the field of hydrogen that potentially could make hydrogen less relevant for the future. Additionally, if competitors gain advantages in the development of alternative technologies, this could affect the competitive position of the group.

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

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 organisation is currently relatively small and there is no guarantee that the group will be able to build a capable organisation at a speed that is required to meet the demand by its customers or potential customers. Nel's failure to manage its growth effectively or to implement its strategy in a timely manner may significantly harm its ability to achieve profitability.

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

For some key production components for its electrolyser and hydrogen fueling products, Nel is dependent on a limited number of third party suppliers. All contract manufactured or purchased components are designed and selected in order to avoid a critical supply situation. However, in a worst case scenario, if Nel fails to develop or maintain its relationships with its suppliers or such suppliers are prevented from supplying, Nel may be delayed in manufacturing its products or its products may be available only at a higher cost which could prevent Nel from timely delivering its products to its customers and Nel may experience order cancellation, customer claims and loss of market share. However, 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 requirements, but these may not currently be qualified Nel suppliers.

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 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.

Intellectual property rights

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

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

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

Some of the group's patents are due to expire within the next couple of years which means that the group will lose the sole right to certain technology in certain areas. Although the group believes that this will have little effect on the company's competitive position, no assurance can be provided that this will not materially affect the group's operating and/or financial position over time.

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. 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. 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 group.

6.2 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 2 332.9 million, as per 31.12.2020. This does not include the NOK 1225.1 million in gross proceeds from the private placement completed in February 2021. 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 of the group.

Currency risk

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

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

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

Currency fluctuation effects on net profit of the year:

(Amounts in thousands)

PROFIT AND LOSS			CHANGES IN EXCHANGE RATE NOK/FOREIGN CURRENCIES			
NET PROFIT IN FOREIGN CURRENCIES	VALUE IN CURRENCY	VALUE IN NOK	-10%	-5%	+5%	+10%
DKK	-193 207	-277 870	27 787	13 894	-13 894	-27 787
USD	-629	-5 909	591	295	-295	-591
KRW	7 453 689	59 406	-5 941	-2 970	2 970	5 941
SEK	26 937	27 546	-2 755	-1 377	1 377	2 755
EUR	2 283	24 478	-2 448	-1 224	1 224	2 448
Effect on net profit			17 235	8 617	-8 617	-17 235
STATEMENT OF FINANCIAL POSITION						
NET RECEIVABLES/LIABILITIES IN FOREIGN CURRENCIES						
DKK	-24 469	-34 430	3 443	1 722	-1 722	-3 443
USD	4 000	34 127	-3 413	-1 706	1 706	3 413
KRW	4 486 856	35 163	-3 516	-1 758	1 758	3 516
SEK	-1 566	-1 634	163	82	-82	-163
EUR	23 175	242 649	-24 265	-12 132	12 132	24 265
Effect on net profit			-27 588	-13 794	13 794	27 588
Total effect on net profit			-10 353	-5 176	5 176	10 353

The table shows the gross foreign currency exposure before hedging. The figures exclude translation of intercompany loan in Nel ASA.

Interest rate risk

The group does not have a significant amount of interest bearing long-term debt. Due to the low amount of debt in the group it is assessed that a change in interest rates will not have a material effect on the financial statements.

Credit risk

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

Expected credit loss (ECL) assessment

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers at 31 December, 2019 and 2020.

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

2020	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	
Current (not past due)	0.0 %	54 392	5	
1-30 days past due	0.2 %	8 710	17	
31-60 days past due	0.8 %	17 064	128	
61-90 days past due	1.0 %	4 142	41	
91 days to one year past due	3.0 %	13 775	413	
More than one year past due	10.0 %	4 411	441	
Total		102 495	1 046	1,0 %

2019	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	
Current (not past due)	0.1 %	117 064	101	
1-30 days past due	0.7 %	30 825	216	
31-60 days past due	1.0 %	12 062	121	
61-90 days past due	5.0 %	6 455	323	
91 days to one year past due	15.0 %	17 589	2 638	
More than one year past due	90.0 %	27 356	24 620	
Total		211 352	28 019	13,3 %

6.3 Market risk factors

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 expenditures it has incurred and expect to incur in the development of its products.

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

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

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

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

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

Competition

The group competes with a large number of other companies that are active in the hydrogen industry. Many of the group's existing and potential competitors may have longer operating histories, greater name recognition, structurally better cost and capital positions, better 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.

Covid 19

The Covid 19 pandemic has impacted our operations. We have seen that it has impacted our ability to operate manufacturing facilities as normal and our employees' ability to travel for installation and service work. There is still uncertainty related both to the development of the pandemic and to market recovery.

6.4 Hedge accounting

Derivative financial instruments and hedge accounting

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

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

Cash flow hedges

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

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

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

The Group is exposed to certain risk relating to its ongoing business operations. In 2020, foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of firm sale commitment in U.S. dollar, Swedish krona, Euro and British pound. In addition, purchase of property, plant and equipment in Euro and highly probably forecast transactions in Euro and Swedish Krona.

The foreign exchange forward contract balances vary in particular with the magnitude of firm commitment foreign currency sales and changes in foreign exchange forward rates.

At 31 December 2020, the Group held the following instruments to hedge exposures to changes in foreign currency.

MATURITY/HEDGING INSTRUMENTS		2021-Q1	2021-Q2	2021-Q3	2021-Q4	MORE THAN ONE YEAR	TOTAL
USD	USD forward contracts, net	3 652	3 259	2 223	2 783	8 419	20 335
	Average NOK:USD forward contracts rate	9,29	9,39	9,47	9,54	9,54	9,46
	Hedged NOK, net (nominal amount)	33 941	30 606	21 048	26 544	80 311	192 450
	Fair value USD forward contracts	2 783	2 806	2 053	2 738	8 100	18 480
SEK	SEK forward contracts, net	0	8 155	-3 271	-3 271	-9 814	-8 202
	Average NOK:SEK forward contracts rate	0	0,94	1,04	1,04	1,04	1,14
	Hedged NOK, net (nominal amount)	0	7 643	-3 394	-3 399	-10 217	-9 367
	Fair value SEK forward contracts	0	-882	30	29	82	-741
GBP	GBP forward contracts, net	1 019	0	0	0	0	1 019
	Average NOK:GBP forward contracts rate	11,74	0	0	0	0	11,74
	Hedged NOK, net (nominal amount)	11 954	0	0	0	0	11 954
	Fair value GBP forward contracts	93	0	0	0	0	93
EUR	EUR forward contracts, net	-1 450	-1 973	-2 472	-473	-1 781	-8 150
	Average NOK:EUR forward contracts rate	10,71	11,28	10,80	10,96	11,08	10,97
	Hedged NOK, net (nominal amount)	-15 539	-22 266	-26 710	-5 181	-19 734	-89 429
	Fair value EUR forward contracts	-348	-1 533	-655	-191	-836	-3 562
TOTAL hedged NOK, net (nominal amount)		30 355	15 983	-9 056	17 964	50 360	105 607
TOTAL fair value, NOK		2 528	392	1 429	2 576	7 345	14 270

The effects that hedge accounting has had on the statement of financial position, statement of profit or loss and OCI and statement of changes in equity

Hedging instruments are measured at fair value and recognised in the statement of financial position as either an asset or a liability depending on the whether the instrument has a positive or negative value. The fair values recognised represents unrealised gains/losses driven by the changes in foreign exchange rates.

Statement of financial position

The table below show the fair value of forward exchange contracts designated as hedging instruments in the statement of financial position.

(Amounts in NOK thousands)

TYPE OF HEDGE ITEMS	CURRENT ASSETS	NON-CURRENT ASSETS	OTHER CURRENT LIABILITES	NON-CURRENT LIABILITIES	TOTAL
Revenue	803	0	-1 623	-232	-1 052
As of 31.12.2019	803	0	-1 623	-232	-1 052
Revenue	10 473	8 100	-947	0	17 626
Raw materials	59	82	-377	-595	-832
Property, plant and equipment	0	-	-2 283	-241	-2 524
As of 31.12.2020	10 532	8 181	-3 608	-836	14 270

Profit or loss and OCI

The table below includes the reconciliation of movements in hedging reserve, cash flow hedges, in OCI during the year.

(Amounts in NOK thousands)

HEDGING RESERVE, CASH FLOW HEDGES IN OCI	REVENUE	RAW MATERIALS	FINANCE COSTS	PROPERTY, PLANT AND EQUIPMENT	TOTAL
As of 01.01.2019	0	0	0	0	0
Effective portion of changes in fair value	-2 388	0	0	0	-2 388
Reclassified to profit or loss	1 602	0	0	0	1 602
As of 01.01.2020	-786	0	0	0	-786
Effective portion of changes in fair value	14 340	-832	3 314	-2 772	14 050
Reclassified to profit or loss	1 463	0	-3 314	0	-1 851
Reclassified to statement of financial positions (basis adjustment)	-217	0	0	248	31
As of 31.12.2020	14 800	-832	0	-2 524	11 444

During the year, a hedging gain of NOK 1.8 million has been realised and reclassified to profit or loss within 'Revenue from contracts with customers'.

The timeline below illustrates when the unrealised changes in fair value of the foreign currency forward contracts may be reclassified to profit or loss and statement of financial position.

(Amounts in NOK thousands)

	2020	2021	2022	2023	TOTAL
Revenue	-720	-66	0	0	-786
As of 31.12.2019					-786
Revenue		6 700	6 585	1 515	14 800
Raw materials		-318	-514	0	-832
Property, plant and equipment		-2 283	-241	0	-2 524
As of 31.12.2020					11 444

Economic relationship and effectiveness

The hedged item creates an exposure to buy a foreign currency and sell the functional currency. The forward contract is to sell foreign currency and buy the functional currency. As the hedged exposure is exactly matched by the currency leg of the forward contract (i.e. they are the same amount of currency with the same payment date), there is a clear economic relationship between the hedging instrument and the hedged item. Hedging less than 100 % is considered when natural hedge positions could occur during the hedging period, or to limit the risk of over-hedging given the inherent uncertainties in any estimated cash flow.

If there's no change in the hedge item cash magnitude (e.g. contract termination or amendment) the hedge would be effective as long as the timing of the hedge instrument and hedge item are aligned. No ineffectiveness has been recognised in the income statement in 2020 or 2019.

The Group does not have any fair value hedge or net investment hedge.

6.5 Financial instruments

Nel uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques which maximise the use of observable market price and rely as little as possible on entity-specific estimates.

Level 3: Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments and fair values

2020

	CARRYING AMOUNT				FAIR VALUE			
	FAIR VALUE - HEDGING INSTRUMENTS	MANDATORILY AT FVTPL - OTHERS	FINANCIAL ASSETS AND LIABILTIES AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets								
Financial assets measured at fair value								
Forward exchange contracts used for hedging	18 714			18 714		18 714		18 714
Financial asset - equity instruments		1 706 390		1 706 390	1 686 405		19 984	1 706 390
SUM	18 714	1 706 390		1 725 103	1 686 405	18 714	19 984	1 725 103
Liabilities								
Financial liabilities measured at fair value								
Forward exchange contracts used for hedging	4 444			4 444		4 444		4 444
SUM	4 444			4 444		4 444		4 444
Financial liabilities not measured at fair value								
Long-term debt			30 284	30 284		30 284		30 284
SUM	-	-	30 284	30 284		30 284		30 284

2019

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

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

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

For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss for the period has been 0.0 (1.8) million.

Nel's shareholding in Nikola Corporation is based on quoted prices in an active market after the listing of Nikola on Nasdaq on June 4, 2020. From this date the fair value method changed from level 3 to level 1.

6.6 Contractual commitments and commitments for future investments

Nel is committed to future investments in Hydrogen Energy Network (HyNet) of approximately NOK 19.5 million. These commitments are expected to be settled in cash outflow of NOK 13.9 million and NOK 5.6 million in 2021 and 2022, respectively.

Nel is committed to future investment for Herøya expansion in Norway, see note 3.2 for additional information.

7.1 Composition of the group

The following subsidiaries are included in the consolidated financial statements

COMPANY	LOCATION	MAIN OPERATIONS	CONSOLIDATED FROM:	OWNERSHIP/ VOTES 2020	OWNERSHIP/ VOTES 2019
Nel Hydrogen Electrolyser AS	Notodden, Norway	Production of Alkaline electrolysers	01.10.2015	100 %	100 %
Nel Hydrogen A/S	Herning, Denmark	Production of hydrogen refueling stations	01.07.2015	100 %	100 %
Nel Fuel AS	Oslo, Norway	Investment/ownership	01.07.2015	100 %	100 %
Proton Energy Systems Inc	Wallingford, Connecticut, USA	Production of PEM electrolysers	01.07.2017	100 %	100 %
Nel Korea Co. Ltd	Seoul, South Korea	Service and installation of hydrogen refueling stations	01.07.2018	100 %	100 %
Nel Hydrogen Inc	San Leandro, California USA	Service and installation of hydrogen refueling stations	01.01.2019	100 %	100 %

All subsidiaries are 100 % owned. There is no uncertainty about control and no restrictions on the ability to access or use assets and settle liabilities in the group.

7.2 Executive management remuneration

Nel Executive Management Compensation and number of shares owned

2020

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION[1]	TOTAL REMUNERATION
Jon André Løkke, CEO [2]	2 737	841	178	52 296	56 052
Kjell Christian Bjørnsen, CFO [3]	2 090	0	178	0	2 268
Anders Søreng, CTO	3 487	0	-	2 434	5 921
Jørn Rosenlund, SVP Nel Hydrogen Fueling	2 194	0	175	1 311	3 680
Filip Smeets, SVP Nel Hydrogen Electrolyser [4]	1 844	0	73	458	2 375
Hans Hide, SVP Projects	1 796	0	178	0	1 974
Stein Ove Erdal, VP Legal and General Counsel	1 722	0	178	0	1 901
Caroline Duyckaerts, Chief Human Resources Officer [5]	0	0	0	0	0
Total	15 870	841	962	56 499	74 171

[1] Other remuneration is mainly related to share option program
[2] Jon André Løkke has a six months' notice period, plus is entitled to six months severance pay.
[3] Employed in Nel from March 2020
[4] Employed in Nel from April 2020
[5] Employed in Nel from January 2021

2019

(Amounts in NOK thousands)

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

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

The Board of Directors determines the remuneration of the CEO based on a proposal from the HR Committee and approves the general terms of the company's incentive plans for Executive Management and other key employees. The CEO determines the compensation to the other members of Nel's Executive Management.

Nel's approach is to provide the CEO and other members of Nel's Executive Management as well as employees with a market competitive offer for our renewable industry. The compensation package should be:

- attractive to recruit and retain executives and other talents to Nel;
- market competitive in the respective locations but not market leading, fitting for our renewable industry;
- support the creation of sustainable value to Nel's shareholders

Total compensation for each member of Executive Management is compared to the relevant market on a regular basis. Nel's remuneration of the Executive Management includes the Base Salary, Bonus, Share Option Program, Pension (defined contribution plans) and other compensation elements such as cell phone and internet connection.

7.3 External audit remuneration

FEES TO THE AUDITOR	2020	2019
Statutory auditing services	2 336	1 932
Attestation services	857	632
Non-auditing services	1 712	907
TOTAL	4 905	3 471

The group incurred NOK 1.3 (0.9) million in 2020 of attestation services and non-auditing services provided by company other than EY, the group auditor.

7.4 Related parties

Executive management

Information on key management compensation is disclosed in note '7.2 executive management remuneration'.

Associated and joint ventures

Nel's significant transactions with associated companies and joint ventures are described in note 3.4 Investments in associated companies and joint ventures.

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

Board of Directors

Nel bought HR services of NOK 120 446 from Hanne Blume Consulting, a company owned by a board member of Nel. Amounts were billed based on market rates for such services and were due and payable under normal payment terms.

The members of Nel's Board of Directors' remuneration and share ownership is disclosed in the tables below.

2020

BOARD OF DIRECTORS 2020	REMUNERATION	NUMBER OF SHARES	OWNERSHIP
Ole Enger - Chair of the Board	563	149 462	0.01 %
Tom Røtjer	306	0	0.00 %
Beatriz Malo de Molina	306	0	0.00 %
Charlotta Falvin	306	0	0.00 %
Finn Jebsen [1]	306	310 620	0.02 %
Hanne Blume	306	0	0.00 %
TOTAL	2 094	460 082	0.03 %

1) Consisting of shares held through Fateburet AS

AUDIT COMMITTEE 2020	REMUNERATION
Finn Jebsen - chair of the audit committee	75
Beatriz Malo de Molina	40
TOTAL	115

2019

BOARD OF DIRECTORS 2019	REMUNERATION	NUMBER OF SHARES	OWNERSHIP
Ole Enger - Chair of the Board	438	149 462	0.01 %
Hanne Skaarberg Holen [1]	338	268 966	0.02 %
Beatriz Malo de Molina	281	0	0.00 %
Mogens Filtenborg [2]	281	1 813 493	0.13 %
Finn Jebsen [3]	281	310 620	0.02 %
Hanne Blume	281	0	0.00 %
TOTAL	1 900	2 542 541	0.18 %

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

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

7.5 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.

To fund the growth strategy, on February 24, 2021, a private placement of 49.5 million new shares was completed, at a price per share of NOK 24.75, raising NOK 1 225.1 million in gross proceeds.

On February 16, 2021, a subsidiary of Nel ASA, and an entity partially owned by the group, have received notices of fines (no: forelegg) totalling NOK 25 million related to the June 2019 incident at the hydrogen fueling station at Kjørbo, Norway. This has been assessed as an event after the reporting period that provide evidence of conditions that existed at the end of the reporting period. Accordingly, an adjusting event that has been recognised as an increased provision. The fines have not been settled as the group has not accepted the fines and expects a district court case trial.

Referring to note 4.3 which disclose the value of Nel's shareholding in Everfuel A/S as NOK 1 542.3 million per 31 December 2020. At the date of the approval of these financial statements the value of the shareholding is approximate NOK 1 045 million, a decline in fair value of NOK 496.9 million.

Other than the fines (no: forelegg), the decline in investments fair value and the private placement, there have been no significant changes in the financial position of the Group since the date of the interim financial statements for twelve months ended 31 December 2020.

7.6 Going concern

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

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

Parent company financial statements

Statement of comprehensive income

(Amounts in NOK thousands)

	NOTE	Nel ASA 2020	Nel ASA 2019
Revenue from contracts with customers	3	43 500	19 264
Other operating income		45	0
Total revenue and operating income		43 545	19 264
Personnel expenses	4	33 553	26 164
Depreciation	7	1 113	1 043
Other operating expenses	5	20 806	16 462
Total operating expenses		55 472	43 669
Operating loss		-11 927	-24 405
Finance income	15	175 549	25 405
Finance costs	15	-6 916	-35 946
Share of loss from associate and joint venture	11	-300	-1 325
Net financial items		168 333	-11 866
Pre-tax income (loss)		156 406	-36 271
Tax expense	6	0	0
Net income (loss) attributable to equity holders of the company		156 406	-36 271
Other comprehensive income		0	0
Comprehensive income / (loss) attributable to equity holders of the company		156 406	-36 271

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
ASSETS	NOTE	2020	2019
NON-CURRENT ASSETS			
Property, plant and equipment	7	1 557	2 685
Investments in subsidiaries	11	1 847 776	1 222 763
Non-current financial assets	10, 16	35 111	232
Long term receivables group	13	416 425	490 820
Total non-current assets		2 300 869	1 716 501
CURRENT ASSETS			
Trade receivables		0	62
Other current assets	10, 12, 16	169 415	47 357
Cash and cash equivalents	8	2 219 029	479 567
Receivables group	13	82 985	33 457
Total current assets		2 471 429	560 443
TOTAL ASSETS		4 772 298	2 276 944

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
EQUITY AND LIABILITIES	NOTE	2020	2019
EQUITY			
Share capital	9	281 560	244 421
Treasury shares	9	-79	-14
Share premium	9	4 367 305	2 089 418
Other capital reserves	9	43 934	36 253
Retained earnings	9	44 861	-111 545
Total equity		4 737 580	2 258 532
NON-CURRENT LIABILITIES			
Other non-current liabilities	10	836	1 032
Total non-current liabilites		836	1 032
CURRENT LIABILITIES			
Trade payables		1 836	2 095
Provisions		661	5 688
Short term liabilities group	13	18 714	367
Other current liabilities	10, 14, 16	12 670	9 230
Total current liabilities		33 881	17 380
Total liabilities		34 717	18 412
TOTAL EQUITY AND LIABILITIES		4 772 298	2 276 944

OSLO, 22 MARCH 2021

THE BOARD OF DIRECTORS

Ole Enger
Chair

(Electronically signed)

Beatriz Malo de Molina
Board member

(Electronically signed)

Charlotta Falvin
Board member

(Electronically signed)

Finn Jebsen
Board member

(Electronically signed)

Hanne Blume
Board member

(Electronically signed)

Tom Røtjer
Board member

(Electronically signed)

Jon André Løkke
CEO
(Electronically signed)

Statement of cash flows

(Amounts in NOK thousands)

Nel ASA

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2020	2019
Income (loss) before tax		156 406	-36 271
Interests paid, reversed	15	141	59
Adjustments interests received	13, 15	-25 972	-14 808
Share of loss from associate and joint venture	11	300	1 325
Equity-settled share-based compensation expense	4	898	1 008
Depreciation	7	1 113	1 043
Change in fair value equity instruments	15	-100 176	-1 771
Change in provisions		-5 027	0
Change in account receivables, group receivables		-84 466	12 692
Change in trade payable and group payables		18 087	1 852
Changes in other current assets and other liabilities		-28 012	1 710
Net cash flow from operating activities		-66 706	-33 159
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchases of property, plant and equipment	7	-68	-169
Loan given to subsidiaries	13	-507 364	-293 685
Investments in associates and joint ventures	11	-300	0
Net cash flow from investment activities		-507 732	-293 855
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid[1]	15	-141	-59
Gross cash flow from share issues	9	2 383 259	545 984
Transaction costs related to capital increases	9	-68 297	-20 426
Payment of lease liabilities	14	-920	-936
Net cash flow from financing activities		2 313 900	524 563
Net change in cash and cash equivalents		1 739 462	197 548
Cash balance as of 01.01	8	479 567	282 019
Cash balance as of 31.12	8	2 219 029	479 567

[1] Interest paid includes interest expense on lease liabilities.

Statement of changes in equity

(Amounts in NOK thousands)

Nel ASA

Statement of changes in equity

	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	TREASURY SHARES	RETAINED OTHER EQUITY	TOTAL EQUITY
Equity as of 31.12.2018	222 710	1 585 570	29 946	-12	-73 552	1 764 663
Increase of capital 2019	21 710	503 848				525 558
Options and share program			6 307	-2	2	6 307
Other Changes					-1 725	-1 725
Net loss attributable to equity holders of the company					-36 271	-36 271
Equity as of 31.12.2019	244 420	2 089 418	36 253	-14	-111 546	2 258 532
Increase of capital 2020	37 139	2 277 822				2 314 961
Options and share program		65	7 681	-65		7 681
Net income attributable to equity holders of the company					156 406	156 406
Equity as of 31.12.2020	281 559	4 367 305	43 934	-79	44 860	4 737 580

Notes to the financial statements parent company

Note 1 Company information

Nel ASA (Nel) is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The group serves industry, energy and gas companies with leading hydrogen technology. Since its origins in 1927 as part of Norsk Hydro, Nel has a proud history of development and continuous improvement of hydrogen plants. Our hydrogen solutions cover the value chain from hydrogen production technologies to manufacturing of hydrogen fueling stations, providing all fuel cell electric vehicles (FCEVs) with the same fast fueling and long range as conventional vehicles today.
The group has two divisions: Nel Hydrogen Electrolyser and Nel Hydrogen Fueling.

Nel ASA (org. no 979 938 799) was formed in 1998 and is a Norwegian public limited company listed on the Oslo Stock Exchange. The group's head office is in Karenslyst allé 49, N-0278 Oslo, Norway. The parent company financial statements were approved by the Board of Directors on 22th of March 2021.

Note 2 Significant accounting principles

Statement of compliance

The financial statements of Nel ASA are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). With regards to standards issued but not yet effective and change in accounting policies refer to group accounts disclosure 1.4. For materiality judgements in preparation of these financial statements refer to group accounts disclosure 1.2.

Basis for preparation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. For accounting principles for financial instruments and fair value refer to group accounts disclosure 6.5.

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.

Revenue from contracts with customers

In general, Revenue comprise sale of intercompany services. These are recognized when the services are delivered based on intragroup allocation of costs. For principles of revenue recognised over time and contract balances, refer to group accounts disclosure 2.1.

Personnel expenses

Wages, salaries, bonuses, pension and social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. The company has pension plans for employees that are classified as defined contribution plans. Contributions to defined contribution schemes are recognised in the statement of comprehensive income in the period in which the contribution amounts are earned by the employees. For accounting principles for share option program refer to group accounts disclosure 2.5.

For further information refer note 4 – Personnel expenses.

Interest income and expenses

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

Income tax expense

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

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

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

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

Subsidiaries

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.

Shares in subsidiaries are presented according to the cost method. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. Indications may be operating losses or adverse market conditions. Fair value of the investment is estimated based on valuation model techniques. If it is considered probable that the fair value is below Nel's carrying value, the investment is impaired. The impairment is reversed if the impairment situation is no longer present.

Investment in associated companies and joint ventures

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 Revenue from contracts with customers

(Amounts in NOK thousands)

REVENUES BY GEOGRAPHIC REGION BASED ON CUSTOMER LOCATION	2020	2019
Norway	6 290	2 377
United States	19 011	10 765
Denmark	16 249	6 123
South Korea	1 950	0
Total	43 500	19 264

All revenues in 2019 and 2020 are internal revenue from management services. Revenues are recognised over time based on cost-to-cost input method. Billings occur at the end of each year for all cumulative costs incurred plus recognised profit, thus, there are no contract balances at year end. The billings are recognised as current assets within 'Receivables Group' in the statement of financial position and is an unconditional right to payment.

Note 4 Personnel expenses

(Amounts in NOK thousands)

SALARIES AND PERSONNEL EXPENSES	2020	2019
Salaries	21 074	13 416
Social security tax[1]	4 858	6 336
Pension expense	2 048	1 193
Other payroll expenses[2]	5 573	5 218
Total	33 553	26 164

[1] Social security tax includes provisions for social security related to the share option program.
[2] Included in this amount are expenses amounting to NOK 898 thousands (1 088 in 2019) related to the share option program.

The company has a share option program for all employees. For information of the company's share option program refer to group accounts disclosure 2.5

Average number of FTEs	13	8

Pension

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

REMUNERATION OF MANAGEMENT 2020	SALARY	BONUS	PENSION EXPENSE	OTHER REMU-NERATION [1)]	TOTAL REMUNERATION
Jon André Løkke, CEO [2)]	2 737	841	178	52 296	56 052
Kjell Christian Bjørnsen, CFO [3)]	2 090	0	178	0	2 268
Hans Hide, SVP Projects	1 796	0	178	0	1 974
Stein Ove Erdal, VP Legal and General Counsel	1 722	0	178	0	1 901
Caroline Duyckaerts, Chief Human Resources Officer [4)]	0	0	0	0	0
Total	8 345	841	714	52 296	62 195

[1)] Other remuneration is mainly related to share option program
[2)] Jon André Løkke has a six months notice period, plus is entitled to six months severence pay.
[3)] Employed in Nel from March 2020
[4)] Employed in Nel from January 2021

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

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

Note 5 Other operating expenses

SPECIFICATION OF OTHER OPERATING EXPENSES:	2020	2019
Hardware and common cost office premises	531	368
Administrative costs	9 164	5 709
Professional fees	10 250	8 140
Travel expenses	861	2 245
Other operating expenses	20 806	16 462

Auditor fees

FEES TO THE AUDITOR	2020	2019
Statutory auditing services	1 544	1 453
Attestation services	0	0
Non-auditing services	283	512
Total	1 826	1 965

Amounts are exclusive VAT.

Note 6 Income taxes

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2020	2019
Income (loss) before tax	156 406	-36 271
Permanent differences	-202 847	14 356
Change in temporary differences	-6 855	5 820
Use of tax losses carried forward	0	0
The year's taxable income	-53 296	-16 094
Tax rate	22 %	22 %
Income (loss) before tax	156 406	-36 271
Tax this years loss, estimated	34 409	-7 980
Tax effect of:		
Permanent differences	-44 626	3 158
Change in temporary differences	22 039	390
Change in not recognised deferred tax assets (tax liabilities)	-11 822	4 432
Total income tax expense (income)	0	0

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:		
Property, plant and equipment and goodwill	-381	-482
Leases	-54	-67
Provisions for liabilities	-1 474	-8 215
Shares and other investments	101 947	1 771
Tax losses carry forward	-537 945	-484 650
Basis for deferred tax asset	-437 908	-491 643
Nominal tax rates for next year	22 %	22 %
Deferred tax asset	-96 340	-108 161
Deferred tax asset not recognised in Statement of financial position	-96 340	-108 161
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 2020 it is considered not likely that the tax loss carry forward will be utilised in the near future, therefore the deferred tax assets is not capitalised.

Note 7 Property, plant and equipment

	OFFICE MACHINES AND OTHER EQUIPMENT	TECHNICAL INSTALLATIONS	RIGHT-OF-USE ASSETS	TOTAL
Acquisition cost as of 01.01.2019	1 085	262	0	1 347
Additions	169	0	2 541	2 711
Acquisition cost as of 31.12.2019	1 254	262	2 541	4 058
Additions	68	0	0	68
Remeasurement	0	0	-83	-83
Reclassifcation	-57	57	0	0
Acquisition cost as of 31.12.2020	1 265	320	2 459	4 043
Accumulated depreciation as of 01.01.2019	279	52	0	331
Depreciation for the year	171	52	820	1 043
Accumulated depreciation as of 31.12.2019	450	104	820	1 374
Depreciation for the year	153	54	906	1 113
Reclassifcation	-75	75	0	0
Accumulated depreciation as of 31.12.2020	528	232	1 726	2 487
Carrying amount as of 31.12.2019	805	158	1 722	2 685
Carrying amount as of 31.12.2020	737	87	732	1 557
Useful life	3 years	5 years	3 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	

Note 8 Cash and cash equivalents

	2020	2019
Cash and cash equivalents	2 217 112	443 489
Restricted cash (witheld employee taxes)	1 917	746
Other restricted bank accounts	0	35 331
Total cash and cash equivalents	2 219 029	479 567

Note 9 Share capital and shareholders

For information of shareholders as of 31 December 2020, shares hold by exectutive management and the board of directors please refer to Note 7.2 and 7.4, respectively, in the consolidated financial statements. For information of top 20 shareholders in Nel ASA refer to note 5.1 in the consolidated financial statements.

Note 10 Specification of balance sheet items

SPECIFICATION OF OTHER CURRENT ASSETS:	2020	2019
Fair value shareholding Nikola Corporation	144 077	43 902
Other short-term investments	13 335	0
VAT net receivable	1 056	504
Prepayments	318	2 130
Fair value of currency contracts	10 587	803
Other current receivables	42	19
Total other current assets	169 415	47 357

SPECIFICATION OF NON-CURRENT FINANCIAL ASSETS	2020	2019
Other non-current investments	26 418	0
Receivables from joint ventures	512	232
Fair value of currency contracts	8 181	0
Total non-current financial assets	35 111	232

SPECIFICATION OF OTHER CURRENT LIABILITIES:	2020	2019
Vacation allowance and other salary related accruals	4 806	2 724
Fair value of currency contracts	3 608	1 623
Lease liabilities	786	989
Other current liabilities	3 470	3 895
Total other current liabilities	12 670	9 230

SPECIFICATION OF OTHER NON-CURRENT LIABILITIES:	2020	2019
Fair value of currency contracts	836	232
Lease liabilities	0	800
Total other non-current liabilities	836	1 032

Note 11 Subsidiaries, associates and joint ventures

COMPANY	OWNER-SHIP	REGIS-TERED OFFICE	FUNCTIONAL CURRENCY	TOTAL EQUITY IN 2020 (FUNCTIONAL CURRENCY THOUSANDS)	NET INCOME(LOSS) 2020 (FUNCTIONAL CURRENCY THOUSANDS)	CARRYING VALUE 2020 (NOK THOUSANDS)	CARRYING VALUE 2019 (NOK THOUSANDS)
Nel Hydrogen Electrolyser AS	100 %	Norway	NOK	66 652	-143 763	347 944	147 051
Proton Energy Systems Inc	100 %	USA	USD	12 065	-8 470	714 973	495 222
Nel Hydrogen A/S	100 %	Denmark	DKK	93 474	-60 466	733 077	565 940
Nel Hydrogen Inc	100 %	USA	USD	-5 653	-3 052	881	644
Nel Korea Co. Ltd	100 %	South Korea	KRW	-2 578 551	-3 309 508	13 846	13 851
Nel Fuel AS	100 %	Norway	NOK	1 556 087	1 553 284	37 055	55
Total						1 847 776	1 222 763

The increase in book value of shares in subsidiaries are mainly debt coversions. In addition, there is an increase in book value for effects of the established group share option program.

The Covid 19 pandemic has impacted the subsidiaries operations. We have seen that it has impacted the ability to operate manufacturing facilities as normal and the employees' ability to travel for installation and service work. There is still uncertainty related both to the development of the pandemic and to market recovery.

				ACQUISITION COST (NOK THOUSANDS)		CARRYING VALUE (NOK THOUSANDS)	
	OWNERSHIP	COUNTRY		2020	2019	2020	2019
Hyon AS	33,33 %	Norway	Joint venture	3 350	3 050	0	0
Total				3 350	3 050	0	0

Share of loss from Hyon AS is NOK 0.3 (1.3) million in 2020 is recognised within 'share of loss from associate and joint venture'

Note 12 Other investments

During 2018 Nel invested USD 5.0 million in Nikola Motor Company Inc. As of 31 December 2019, the shares were unquoted and there has not been any transactions of Nel's series C round shares. The shares were recognised at the USD cost price of the shares which is the approximate fair value at year end, revalued to NOK as of 31 December 2019, NOK 43.9 million.

The fair value of Nel's shareholding in Nikola Corporation per 31. December 2020 is based on quoted prices in an active market (level 1 in fair value hierarchy) after the listing of Nikola on Nasdaq on June 4, 2020. Fair value of shareholding in Nikola Corporation per 31 December 2020 shareholding is 144.1 (43.9) million recognised within 'other current assets'

Changes in fair value recognised in profit or loss within 'finance income' is 100.2 (1.8) million in 2020.

Note 13 Transactions with related parties

LONG TERM RECEIVABLES GROUP	2019	LOAN ISSUE	DEBT CON-VERSION	ACCRUED INTERESTS 2020	FX TRANS-LATION EFFECTS	OTHER[1]	2020
Nel Hydrogen Electrolyser AS	161 371	223 000	-200 000	9 422	0	0	193 793
Proton Energy Systems Inc	180 766	97 271	-216 975	8 480	-9 961	0	59 581
Nel Hydrogen A/S	100 014	80 002	-164 255	4 923	5 450	0	26 135
Nel Hydrogen Inc	32 578	32 465	0	1 919	-4 767	0	62 195
Nel Korea Co. Ltd	12 836	65 477	0	847	-15 224	0	63 935
Nel Fuel AS	3 255	9 150	-37 000	380	0	35 000	10 785
TOTAL	490 820	507 364	-618 230	25 972	-24 502	35 000	416 425

[1] A loss allowance from prior year of NOK 35.0 million has been reversed during 2020 as the value of Nel Fuel AS has increased. The fair value of Nel Fuel AS exceed book value of the shares per 31 December 2020.

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

CURRENT ASSETS	2020	2019
Nel Hydrogen Electrolyser AS	18 124	5 112
Proton Energy Systems Inc	28 348	14 069
Nel Hydrogen A/S	29 529	12 077
Nel Hydrogen Inc	4 747	1 999
Nel Korea Co. Ltd	2 237	0
Nel Fuel AS	0	200
Total	82 985	33 457

CURRENT LIABILITIES	2020	2019
Nel Hydrogen Electrolyser AS	16 675	367
Nel Hydrogen A/S	2 038	0
Total	18 714	367

Current liabilities are solely related to fair value of hedging instruments offered to subsidiaries. See Note 16 for additional information.

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

Nel ASA has during 2020 charged NOK 43.5 (19.3) millions for corporate services provided to its subsidiaries. The management services are priced with the cost plus method applying a 5 % mark-up for low value services. The management fee has been allocated to the subsidiaries based on revenue as allocation key.

INTERNAL REVENUES	2020	2019
Nel Hydrogen Electrolyser AS	6 290	2 377
Proton Energy Systems Inc	16 287	8 901
Nel Hydrogen A/S	16 249	6 123
Nel Hydrogen Inc	2 724	1 863
Nel Korea Co. Ltd	1 950	0
Total	43 500	19 264

Board of Directors

Nel bought HR services of NOK 120 446 from Hanne Blume Consulting, a company owned by a board member of Nel. Amounts were billed based on market rates for such services and were due and payable under normal payment terms.

Note 14 Lease liabilities

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

	2020	2019
1 January	1 789	2 042
Additions	0	431
Remeasurement	-83	68
Accretion of interest	125	184
Lease payments	-1 045	-936
31 December	786	1 789
Current	786	989
Non-current	0	800
31 December	786	1 789

Maturity analysis for lease liabilities (undiscounted cash flows)

	2021	>2021	TOTAL
Lease liabilities	819	0	819

Note 15 Finance income and cost

	2020	2019
Internal interest income	25 972	14 808
Interest income	14 402	8 826
Reversal of impairment shares in subsidiaries	35 000	0
Change in fair value equity instruments	100 176	1 771
Finance income	175 549	25 405
Interest expense	-16	-59
Interest expense lease liabilities	-125	-184
Net foreign exchange gain/(loss)	-6 629	-525
Expected credit loss receivables from subsidiaries	0	-35 000
Other	-146	-178
Finance cost	-6 916	-35 946
Net finance income (cost)	168 633	-10 541

During 2020 a previous impairment expense for shares in Nel Fuel AS has been reversed as the value of the shares exeeds the book value. The value of Nel Fuel AS shares have increased significantly during 2020 following the listing of Everfuel A/S on Oslo Euronext Growth which Nel Fuel AS has a shareholding. The carrying value of the shares in Nel Fuel AS is now recognised at cost.

Changes in fair value equity instruments is entirely from shareholding in Nikola Corporation, see note 12 for additional information.

The net foreign exchange gain(loss) is mainly the unrealised currency exchange effectes related to the revaluation of internal loans.

Note 16 Financial risk and derivatives

Financial risks in Nel and the use of derivative instruments are described in note 6.1 to the consolidated financial statement. Nel ASA offers currency derivatives to subsidiaries using such instruments for risk management. The derivatives are measured at fair value (level 2 in fair value hierarchy), using valuation techniques which maximise the use of observable market price. The contracts with financial institutions are back-to-back with subsidiaries, thus, the contract has no P&L impact for Nel ASA. At the end of 2020 and 2019, Nel is committed to the following outstanding forward foreign exchange contracts with subsidiaries:

Forward foreign exchange contracts (Nel Group internal), notional amount:	2020	2019
Current assets	10 532	803
Non-current assets	8 181	0
Current liabilities	-3 608	-1 623
Non-current liabilities	-836	-232
TOTAL	14 270	-1 052

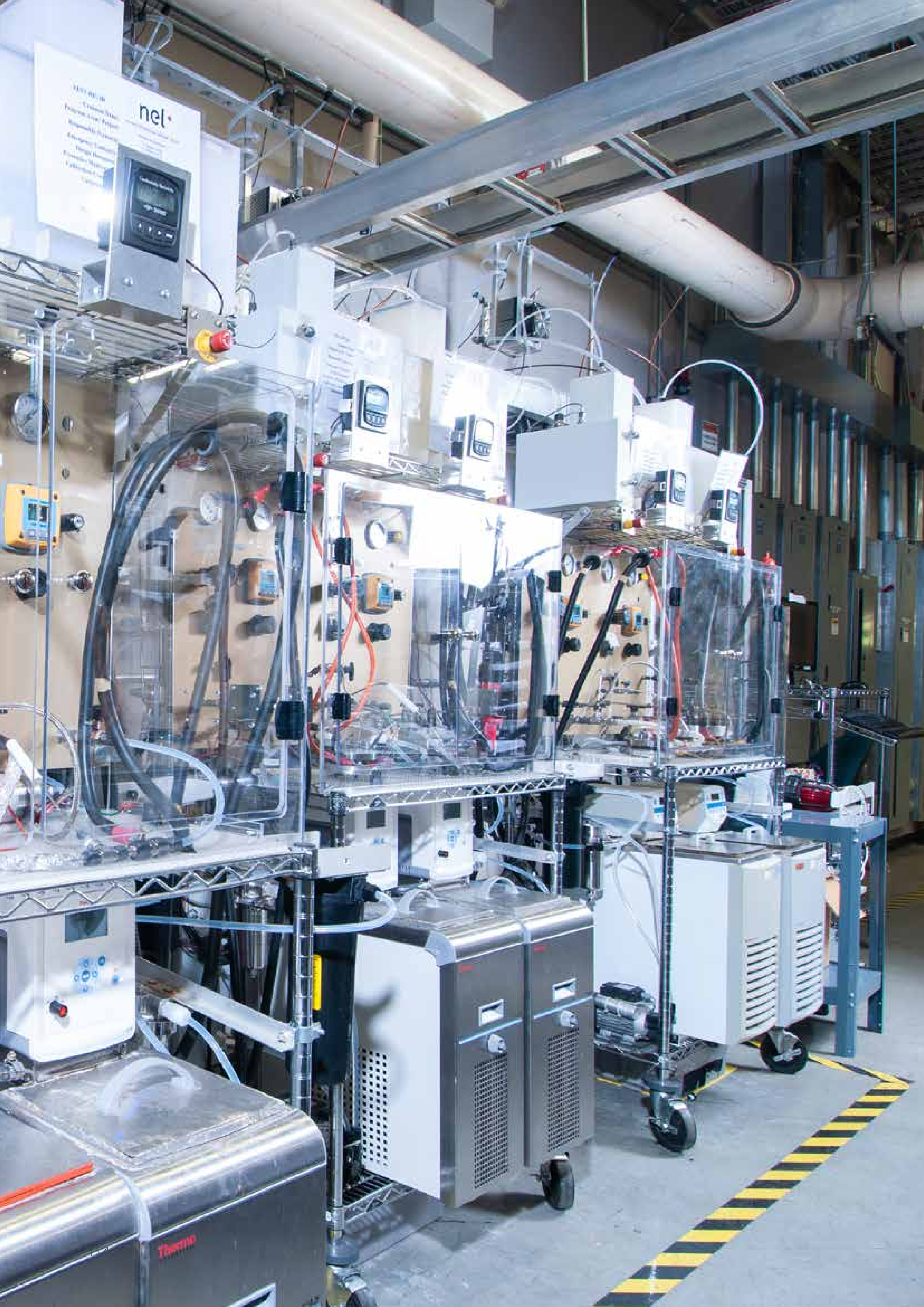
The contracts represents the subsidiaries exposure in US dollars, Euro, Swedish Krone and British pounds. The contracts mature no later than 2023.

Note 17 Guarantees

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

Note 18 Subsequent events

To fund the growth strategy, on February 24, 2021, a private placement of 49.5 million new shares was completed, at a price per share of NOK 24.75, raising NOK 1 225.1 million in gross proceeds.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Alternative Performance Measures

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

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

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

NEL'S FINANCIAL APMS

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

EBITDA margin: is defined as EBITDA divided by revenue and operating income.

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

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

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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 statements of financial position as at 31 December 2020, the 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 2020 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 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue from sale of customised product and equipment

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

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

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

We refer to the Groups disclosures included in note 1.5 and 2.1 in the consolidated financial statements.

Assessment of impairment of goodwill

At 31 December 2020, the recorded amount of goodwill was NOK 619.7 million, or 10 % 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 1.5 and 3.1 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.

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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 concerning and corporate social responsibility the financial statements, and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

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

Oslo, 22 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Petter Frode Larsen
State Authorised Public Accountant (Norway)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Petter Frode Larsen
Statsautorisert revisor
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