Nel ASA

Q1 2017 interim report

Highlights of the quarter

- Nel ASA (Nel) reported revenues in the first quarter 2017 of NOK 35.7 million, compared to NOK 26.0 million in the first quarter of 2016, representing a growth of 37.3 per cent.
- Announced acquisition of Proton Energy Systems Inc. ("Proton OnSite"), creating the world's largest hydrogen electrolyser company with a global footprint and combined pro forma FY 2016 revenues of NOK 342.7 million.
- All-time-high Nel stand-alone order book of approximately NOK 260 million, and a combined Nel/Proton Onsite order book of approximately NOK 400 million.
- Completed successful private placement of NOK 176.7 million in gross proceeds at a price per share of NOK 2.72, contributing to a cash position of NOK 368.3 million at the end of the quarter.
- Awarded frame contract for multiple hydrogen fueling stations in California by Royal Dutch Shell Plc. Total value depending on number of H2Stations and scope of equipment and services. First purchase orders received with a value in excess of NOK 140 million.
- Awarded a contract by Icelandic Hydrogen for three H2Station® hydrogen fueling stations and a NEL C-series electrolyser, with a value of more than EUR 4 million.
- Entered into an agreement with SunPower to build and operate the first solar-driven hydrogen production plant in the U.S.
- Entered into a Letter of Intent (LoI) with Hexagon Composites ASA and PowerCell Sweden AB to establish a joint venture (JV) for the development of integrated hydrogen projects. Signed final agreement after the closing of the quarter.

Subsequent events

- Received purchase order from Uno-X Hydrogen for additional H2Station® in Bergen.

Key figures

KEY FIGURES *(Unaudited figures in NOK million)*	**2017** Q1	**2016** Q1	**2016** FY
Operating revenue	35.7	26.0	114.5
Total operating costs	51.3	36.1	169.8
EBITDA	-13.0	-7.6	-44.9
EBIT	-15.6	-5.4	-55.3
Pre-tax profit	-16.2	-10.1	-62.6
Net profit	-15.6	-9.7	-55.8
Net cash flow from operating activities	-14.0	-21.3	-34.2
Cash balance end of period	368.4	289.0	225.5

Financial development

Nel reported revenues in the first quarter 2017 of NOK 35.7 million, compared to NOK 26.0 million in the first quarter of 2016, representing a growth of 37.3 per cent, following an increased interest in hydrogen solutions as fueling stations, electrolysers and integrated systems.

The underlying project-development pipeline is strong, and the company continues to experience a high activity level for its prospects and ongoing tender processes. The planned high activity level within business development in new markets like California, investments, and preparation for production ramp-up developed as expected.

At the end of the first quarter of 2017, the company had an all-time-high order book of approximately NOK 260 million.

The operating earnings in the first half of 2017 will be impacted by the transaction costs related to the acquisition of Proton OnSite. The acquisition of Proton OnSite will create the world's largest hydrogen electrolyser company with a global footprint and combined pro forma FY 2016 revenues of NOK 342.7 million and an order book of approximately NOK 400 million.

The 2017 no-cash costs for the stock option- and share incentive program are currently expected at an average of approximately NOK 3.0 million per quarter, but may increase going forward as the number of employees under the program could grow.

Costs of goods sold increased to NOK 19.3 million (11.2), while total other operating costs totalled NOK 32.0 million (24.9). Salaries and social costs expenses amounted to NOK 18.2 million (14.0) and other operating expenses increased to NOK 11.2 million (8.5). Operating profit ended at NOK -15.6 million (-10.1).

Reported pre-tax profit was NOK -16.2 million (-10.1), while the net loss for the quarter was NOK -15.6 million, compared to a loss of NOK -9.7 million in the same quarter last year.

Total assets were NOK 933.7 million at the end of the first quarter 2017, compared to NOK 762.9 million at the end 2016. Total equity was NOK 831.2 million. Thus, the equity ratio was 89 percent.

Net cash flow from operating activities in the first quarter 2017 was NOK -14.0 million, compared to NOK -21.3 million in the same quarter last year. Net cash flow from investment activities was NOK -11.4 million (-2.9). Net cash flow from financing activities was NOK 168.3 million, compared to NOK 0.2 million in the corresponding quarter last year. Nel’s cash balance at the end of the first quarter was NOK 368.3 million.

Strategy

Nel is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The company serves industries, energy and gas companies with leading hydrogen technology. Since its foundation in 1927, Nel has a proud history of development and continual improvement of hydrogen plants. Our hydrogen solutions cover the entire 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 company has three divisions, covering the entire hydrogen value chain: Nel Hydrogen Electrolyser, Nel Hydrogen Fueling, and Nel Hydrogen Solutions.

Nel Hydrogen Electrolyser

Production and installation of water electrolysers for hydrogen production

Nel Hydrogen Electrolyser is a world-leading supplier of hydrogen production plants based on alkaline water electrolyser technology. The company dates back to 1927, when Norsk Hydro developed large-scale electrolyser plants, providing hydrogen for use in ammonia production with fertiliser 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.

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

Looking ahead, hydrogen will increasingly be utilised as an energy carrier, both to maximise the utilisation of renewable energy and, subsequently, as a sustainable fuel for zero-emission FCEVs. With the commercial introductionx' of FCEVs already taking place, Nel Hydrogen Electrolyser intends to supply the hydrogen fueling, energy storage and power-to-gas markets.

The water electrolyser market currently accounts for only a small fraction of the total hydrogen market, but is expected to grow significantly in the coming years, primarily driven by increased fueling and energy storage demand. By 2020, 40 percent of renewable electricity is expected to take the form of wind and solar power (Source: IEA).

A number of energy storage projects have been initiated worldwide, and Nel Hydrogen Electrolyser expects this development to be a main driver of demand for hydrogen energy storage in the medium term. The sector has specific interest in Nel Hydrogen Electrolyser, because the market growth is making Nel Hydrogen Electrolyser's portfolio of large-scale products increasingly relevant.

Nel Hydrogen Electrolyser started commercial sales of electrolysers in the 1970s, and has sold more than 850 electrolyser units in 60 countries across Europe, South America, Africa and Asia. The company has production facilities in Notodden, Norway, and has a global reach through its in-house sales apparatus and extensive network of agents.

Nel Hydrogen Electrolyser's water electrolysis are considered world-class. The company's long experience in the electrolysis field and sustained research and development efforts over the past 90 years give it a unique technological platform.

The company's Nel A electrolysers are widely respected for their robustness, reliability and energy efficiency. The products set a benchmark for competitors. When the products' flexibility, ease-of-use, high capacity and safety record are added to the list, the solutions are simply unmatched.

Nel has also launched the new containerised Nel C-range electrolysers, thereby offering a low-cost, turn-key solution, representing the world's smallest footprint for containerised, high capacity electrolysers.

The new configurations – Nel C-150 and Nel C-300 – are containerised and are offered in addition to the existing industrial Nel A-range of electrolysers. The new products will have an output capacity of either 150 and 300 Nm^3/hr respectively, which is equivalent to about 330 or 660 kg of hydrogen per day. The standard gas output pressure of the units is either 30 or 200 bar, which makes these products ideal both for industrial purposes, and for producing renewable hydrogen integrated with hydrogen fueling stations for cars, buses or other utility vehicles.

In addition, the company is developing the RotoLyzer®, a pressurised, compact electrolyser, which utilises a vertical, rotating cell pack, providing full operational flexibility, while allowing for low production costs. This opens up new market segments for Nel Hydrogen Electrolyser, and provides an ideal solution for hydrogen fueling stations where space is limited, or integration with renewable energy sources. The technology is patented and has been verified through extensive testing.

The company is currently constructing a full scale commercial prototype that will undergo extensive long-term testing before being offered to the market.

Nel Hydrogen Fueling

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

Nel Hydrogen Fueling (former H2 Logic) is a leading manufacturer of H2Station® hydrogen fueling stations that provides FCEVs with the same fast fueling and long range as conventional vehicles today. Since incorporation in 2003, Nel Hydrogen Fueling has invested significantly in R&D, bringing H2Station® to a level where products are offered to the early market for roll-out of larger networks of hydrogen fueling stations.

Today, Nel Hydrogen Fueling is one of few global leaders on fast fueling for FCEVs. H2Station® technology is in operation in several European countries, providing hydrogen fueling for fuel cell electric vehicles from major car manufacturers.

Nel Hydrogen Fueling was among the first to achieve fast fueling of hydrogen in compliance with the SAE J2601 standard required by the major car manufacturers. In Denmark, Nel Hydrogen Fueling has delivered H2Station® technology for the entire Danish network of hydrogen fueling stations, operated in collaboration with leading oil, energy and gas companies.

Aside from providing fast fueling, H2Station® technology has a long proven track-record of reliable operation with more than 99 percent availability – one among the highest recorded in the world for a scattered network of 24-hour public available hydrogen fueling stations. The ambition is to keep this position and act as a preferred supplier of H2Station® for international infrastructure operators such as oil, energy and gas companies.

Nel Hydrogen Solutions

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

Nel Hydrogen Solution offers efficient system integration, project development and sales across segments and is the only provider of integrated solutions along the entire value chain:

- **Hydrogen fueling networks.** There is a growing demand for hydrogen fueling networks, following the introduction of commercial FCEVs from leading car manufacturers, as well as for buses, trucks, forklifts and other applications. Nel has the technology and experience to efficiently build entire renewable hydrogen fueling networks.
- **Renewable hydrogen.** Nel offers a complete turnkey hydrogen production and fueling solution. Starting from 100kg/day, Nel provide the solution that suits the customer. H2Station® combines fueling of cars, buses and trucks and will grant fast return on investment for station owner. Nel provides turn-key installation, offering multiple operation and maintenance services for the customers.
- **Storage solutions.** Hydrogen will play a major part in the future energy society, as intermediate energy storage in renewable energy systems. Nel's high performance, scalable electrolyser technology stores surplus energy from solar and wind power, allowing energy suppliers stable and flexible delivery of electricity. When required, Nel also integrate equipment components from other leading global suppliers, into the customised Nel solution.

Nel Hydrogen Solutions aims to be the preferred business partner for the hydrogen industry in California, Scandinavia, Japan, South-Korea and Germany for the development of hydrogen solutions across the value chain, from hydrogen fueling stations networks to large-scale renewable hydrogen production plants. Nel Hydrogen Solutions leverages on the experience from delivering and operating the entire Danish hydrogen network, in collaboration with leading oil-, energy- and gas companies.

Nel Hydrogen Solutions will also be responsible for the deployment of equipment to Uno-X Hydrogen and the building of a network of hydrogen fueling stations that will enable FCEVs to operate between all the major cities in Norway within 2020.

Developments

Nel Hydrogen Electrolyser

Nel Hydrogen Electrolyser experienced a strong quarter with revenues of NOK 16.5 million, compared with NOK 8.5 million in the same quarter last year, following ongoing electrolyser project deployments, the initiation of the delivery of a Nel-C electrolyser to Icelandic Hydrogen and general after-market activities. Nel continues to see a high interest for the new containerised Nel C-range electrolysers, thereby offering a low-cost, turn-key solution, representing the world's smallest footprint for containerised, high capacity electrolysers.

Nel Hydrogen Electrolyser is also progressing as planned with the commercialisation of the RotoLyzer® electrolyser, targeting a commercial unit of 10 Nm3/h by 2018, and a commercial scale prototype operational in 2017.

Nel Hydrogen Fueling

In January 2017, Nel Hydrogen Fueling launched a multipurpose hydrogen fueling station, which includes up to three separate dispensers connected to one fueling module.

The new H2Station® offers customers a modular, flexible and scalable fueling solution. The station can operate up to three hydrogen dispensers and can fuel hydrogen cars, buses, trucks, forklifts, and even trains. It also has the world's most compact footprint and is based on years of R&D and operational experience in the field, where it is renowned for providing high fueling reliability for customers.

The new multipurpose H2Station® offers fast fueling with long range, according to international standards. It can also be expanded based on customers' need for hydrogen, and is prepared for increase of hydrogen storages and the addition of dispensers when utilization increases.

The new Herning facility continues to be on track, with total investments of NOK 85 million. The factory will have an annual capacity to manufacture hydrogen fueling stations sufficient to support 200 000 FCEV annually. When ramp-up and plant optimisation is complete, the facility will have a name-plate production capacity of up to 300 fueling stations per year. This will ensure further product improvements over time as well as other scale benefits.

Nel Hydrogen Solutions

In February 2017, Nel entered into a framework contract for the supply, construction and maintenance of H2Station® hydrogen fueling stations in California for Royal Dutch Shell Plc ("Shell") in a partnership with Toyota Motor Corp. The total value depends on the number of H2Stations and the scope of equipment and services. First purchase orders were received after the closing of the quarter, with a value in excess of NOK 140 million

The announcement followed the California Energy Commission (CEC) Notice of Proposed Awards (NOPA) for the Grant Funding Opportunity. Through this project, Shell will build fueling stations at seven new locations for hydrogen cars in California through a partnership with Toyota Motor Corp.

The California Energy Commission is considering $16.4 million in grants toward these stations, with Shell and Toyota contributing their part.

California also represents an opportunity within hydrogen production, as 33 percent of the hydrogen must be renewable, compared with today's situation with no renewable hydrogen available on the market.

Nel and SunPower Corp. (Nasdaq: SPRW) announced in February the agreement to develop the first renewable hydrogen production plant in the USA. The parties are still evaluating different sites for this initial project.

Nel and SunPower will jointly develop, operate, maintain, and market the renewable hydrogen produced at the plant. The parties target to develop the project during 2017 and start marketing renewable hydrogen (Ex Works/at the plant) at a price of less than 4 USD/kg.

Both the technical solution that Nel is developing together with SunPower, as well as the partnership itself, will have great potential going forward.

Nel also announced that the company has entered into Letter of Intent (LoI) with Hexagon Composites ASA and PowerCell Sweden AB to establish a joint venture (JV) for the development of integrated hydrogen projects. The joint venture will initially focus on opportunities in the maritime and marine segments as well as projects to leverage renewable energy resources.

This cooperation is strategically important, as Nel will be working with global market leaders and utilising each party's respective technologies and competencies to develop new hydrogen solutions. The JV will be equally owned by the three parties and will initially focus on projects within marine applications. Over time, however, the JV may also evaluate projects within other application areas.

The JV is aimed at creating a one-stop-shop for customers wanting to utilize hydrogen technologies across the value chain: From renewable hydrogen production, to storage, distribution and dispensing, to generating electricity via fuel cells. The jointly-owned entity will manage and develop the projects to ensure that technologies from the JV-partners are effectively integrated into complete and optimal solutions for the customer.

Together with Nel's leading technology for hydrogen production and fueling, the three companies are positioned to deliver unparalleled customer value in the form of a zero-emission power solutions. The final JV agreement was signed after the closing of the quarter.

Nel Hydrogen Solutions was also awarded a contract by Icelandic Hydrogen for three H2Station® hydrogen fueling stations and a Nel C-series electrolyser.

Initially, Icelandic Hydrogen will establish three hydrogen fueling stations connected to central renewable hydrogen electrolysis production, and be aimed at a continuous long-term expansion of the network along with FCEV deployments to meet a growing hydrogen fuel demand. Icelandic Hydrogen is a newly established JV between the major Icelandic oil retail company Skeljungur HF (owning 90%) and Nel (owning 10%). The purpose of the JV is to establish a network of hydrogen fueling stations and renewable hydrogen production in Iceland.

Skeljungur is a stock exchange listed, major oil retail company operating in Iceland and the Faroe Islands, with more than 75 service stations throughout the countries and more than 200 employees. Skeljungur will provide the JV with locations for hydrogen fueling and retail operational expertise. Nel will provide both hydrogen production and fueling equipment as well as operational experience from more 30 hydrogen fueling station installations across Europe.

The contract has a total value of more than EUR 4 million. The target is to start shipping equipment towards the end of 2017 and install during 2018.

Corporate developments

27 February 2017, Nel announced a non-binding term sheet to acquire the Connecticut U.S. based hydrogen technology company Proton OnSite, creating the world’s largest hydrogen electrolyser company with a global footprint, largest hydrogen electrolyser company with a global footprint and combined pro forma FY 2016 revenues of NOK 342.7 million and a combined order book of approximately NOK 400 million.

The purchase price corresponds to an enterprise value of USD 70 million. The contemplated acquisition will be settled by USD 20 million in cash, and new shares of Nel released in equal instalments after 12 months and 24 months at an agreed share price of NOK 2.72.

Incorporated in 1996, Proton OnSite has been developed into the largest manufacturer of on-site hydrogen

generators with over 2,600 units installed worldwide in more than 75 countries. The company offers advanced Proton Exchange Membrane ("PEM") electrolysis systems to various markets, focusing on small to medium sized plants. Proton OnSite's recently developed Megawatt product line is viewed as a significant area of focus and deemed to be a key success criteria going forward. The company had revenues of USD 27 million in 2016 and is headquartered in Wallingford, Connecticut, with approximately 90 employees.

Following satisfactory due diligence, after the closing of the quarter, Nel signed a final and binding share purchase agreement to acquire 100% of the shares of Proton OnSite.

Nel considers Proton OnSite and Nel as a strong strategic fit, with synergies related to sales and commercialisation, product portfolio, R&D and best practices across the combined company. Nel expects a solid demand for PEM electrolysers going forward and will by this acquisition be able to fully complement its product portfolio. Following are the key acquisition rationale:

- Nel will become the world's largest manufacturer of water electrolysers with a global outreach
- Nel will get a strong foothold in the U.S. hydrogen market, accelerating Nel's growth ambitions
- The acquisition will complement Nel's current business with several areas of synergies
- Nel will cover all relevant sizes and technologies in the rapidly growing worldwide hydrogen market
- Nel will more than double the revenue, and be a player on an industry leading scale
- Strong cultural fit combining two organizations with stellar track-record in the hydrogen industry
- Optimally positioned to benefit from global opportunities arising within renewable energy storage and hydrogen fueling

The closing of the agreement is subject to certain conditions, including relevant public approvals and other third party consents, absence of material adverse effects and correctness of representations. The timing of closing of the transaction depends on satisfactory fulfilment of these conditions, including the public approval process, but is expected to occur around June / July 2017.

Risks and uncertainty factors

Nel is exposed to risk and uncertainty factors, which may affect some or all of the company's activities. Nel has financial risk, market risk as well as operational risk and risk related to the current and future products. There are no significant changes in the risks and uncertainty factors compared to the descriptions in the Annual Report for 2016.

Other

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

Outlook

Nel is at the forefront of the hydrogen industry as a pure play company with market leading technology, a strong management team, a solid balance sheet and is positioned to play a leading role in a fast moving industry. With completion of the acquisition of Proton OnSite, Nel will both offer a complete range of electrolyser technology, and become the world's biggest electrolyser company, positioning the company even stronger for the market growth in the foreseeable future. The combined company had pro forma FY 2016 revenues of NOK 342.7 million, and a combined order book of approximately NOK 400 million at the end of the first quarter of 2017.

The company has the following 2017 outlook for its segments:

Nel Hydrogen Electrolyser

- All-time high level of sales leads, both in traditional and new markets.
- Strong interest in new containerised turn-key solution and increasingly for very large production plants.

Nel Hydrogen Fueling

- Development of new Herning facility with start of production expected in Q3'17.
- New multipurpose H2Station® with three dispensers is increasingly attractive and improves the business case for the customers

Nel Hydrogen Solutions

- Well-positioned for the Californian market, both related to fueling stations and renewable hydrogen production.
- Contract with Shell/Toyota (among others) and developing the first renewable hydrogen production plant with SunPower Corp.
- Leveraging in the JV with Hexagon Composites and PowerCell Sweden for the development of integrated hydrogen projects.

Oslo, 10 May 2017

The Board of Directors

Øystein Stray Spetalen	Martin Nes	Anne Marie Gohli Russell
Board member	Chairman	Board member
(Sign)	(Sign)	(Sign)
Eva Dugstad	Jan Christian Opsahl	Kristin Hellebust
Board member	Board member	Board member
(Sign)	(Sign)	(Sign)
Mogens Filtenborg	Jon André Løkke	
Board member	CEO	
(Sign)	(Sign)	

Condensed interim financial statements

Statement of comprehensive income (unaudited)

PROFIT & LOSS	**Note**	**2017**	**2016**	**2016**
(condensed figures in NOK thousands)		Q1	Q1	Q1-Q4
Operating Income				
Sales income		32 650	21 823	98 446
Other operating income		3 052	4 187	16 032
Total operating revenue		**35 702**	**26 010**	**114 479**
Operating expenses				
Cost of goods sold		19 273	11 166	60 841
Total cost of goods sold		**19 273**	**11 166**	**60 841**
Operating costs				
Wages and social costs		18 201	13 979	60 266
Depreciation and amortisation		2 591	2 450	10 431
Other operating costs		11 228	8 485	38 253
Total other operating costs		**32 020**	**24 913**	**108 950**
Total operating costs		**51 294**	**36 080**	**169 790**
Operating profit (loss)		**-15 592**	**-10 070**	**-55 312**
Financial income		1 209	970	3 599
Financial expenses		839	404	1 759
Share of profit and loss associate and joint venture		-938	-617	-9 165
Net financial income/expense		**-568**	**-51**	**-7 325**
Profit (loss) before taxes		**-16 160**	**-10 121**	**-62 637**
Tax costs		-516	-376	-6 808
NET PROFIT (LOSS)		**-15 644**	**-9 746**	**-55 829**
Items that may subsequently be reclassified to profit or loss				
Currency translation differences		677	-6 167	-19 617
Other comprehensive income		**677**	**-6 167**	**-19 617**
TOTAL COMPREHENSIVE INCOME		**-14 967**	**-15 913**	**-75 446**
Basic EPS *(figures in NOK)*	3	**-0,0230**	**-0,0143**	**-0,0818**
Diluted EPS *(figures in NOK)*	3	**-0,0236**	**-0,0143**	**-0,0818**

Statement of financial position (unaudited)

BALANCE SHEET *(condensed figures in NOK thousands)*	Note	2017 Q1	2016 Year end
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Technology		64 984	57 854
Customer relationship		26 968	27 861
Goodwill		317 604	317 629
Total intangible assets		**409 556**	**403 344**
Tangible fixed assets			
Land, buildings and real estate		46 656	44 778
Fixtures and fittings, tools, etc.		1 203	1 025
Total tangible fixed assets		**47 859**	**45 804**
Financial fixed assets			
Investments in associates		12 869	13 708
Total financial fixed assets		**12 869**	**13 708**
Total non- current assets		**470 283**	**462 855**
CURRENT ASSETS			
Inventories		42 465	36 266
Trade receivables		38 469	34 974
Other receivables		14 088	3 312
Financial current assets		0	0
Cash and cash equivalents		368 349	225 467
Total current assets		**463 370**	**300 019**
TOTAL ASSETS		**933 654**	**762 875**
EQUITY AND LIABILITIES			
Equity			
Share capital		149 732	136 736
Share premium/Other paid equity		781 321	619 329
Treasury shares		-1 377	-1 377
Retained earnings		-98 435	-83 468
Total equity		**831 241**	**671 219**
NON-CURRENT LIABILITIES			
Deferred tax liability		13 041	13 552
Total provisions		**13 041**	**13 552**
Other long term liabilities			
Other long term liabilities		8 940	12 550
Total other long term liabilities		**8 940**	**12 550**
CURRENT LIABILITIES			
Liabilities			
Accounts payable		19 564	16 790
Tax payable		373	370
Social security, VAT etc. payable		389	1 347
Dividends payable		0	0
Other current liabilities		60 106	47 046
Total current liabilities		**80 432**	**65 553**
TOTAL EQUITY AND LIABILITIES		**933 654**	**762 875**

Statement of changes in equity (unaudited)

Statement of changes in Equity and Number of Shares:									
(figures in NOK/numbers)	Note	Share capital	Share premium	Other reserves	Curr. conv. effects	Other equity	Total equity	Number of shares	Cum. No of shares
As at 31st December 2015		**136 120**	**601 710**	**1 200**	**54 318**	**-62 340**	**731 008**	**680 601 326**	**680 601 326**
Transaction costs rel. Increase in capital Q4			-500				-500		
Net profit Q1 2016						-9 746	-9 746		
Currency translation differences Q1 2016					-6 167		-6 167		
As at 31st March 2016		**136 120**	**601 210**	**1 200**	**48 151**	**-72 085**	**714 595**	**680 601 326**	**680 601 326**
Increase of capital 16.6.16		616	7 003				7 619	3 076 926	683 678 252
Net profit Q2 2016						-15 565	-15 565		
Currency translation differences Q2 2016					-2 324		-2 324		
As at 30 June 2016		**136 736**	**608 213**	**1 200**	**45 827**	**-87 651**	**704 325**	**683 678 252**	**683 678 252**
Net profit Q3 2016						-12 030	-12 030		
Currency translation differences Q3 2016					-12 495		-12 495		
As at 30 September 2016		**136 736**	**608 213**	**1 200**	**33 332**	**-99 681**	**679 801**	**683 678 252**	**683 678 252**
Net profit Q4 2016						-18 488	-18 488		
Options and share program				9 916			9 916		
Treasury shares						-1 377	-1 377		
Currency translation differences Q4 2016					1 368		1 368		
As at 31 Desember 2016		**136 736**	**608 213**	**11 116**	**34 701**	**-119 547**	**671 219**	**683 678 252**	**683 678 252**
Increase of capital 16.6.16		12 996	158 107				171 103	64 980 000	748 658 252
Net profit Q1 2017						-15 644	-15 644		
Options and share program				3 884			3 884		
Treasury shares							0		
Currency translation differences Q1 2017					677		677		
As at 31 March 2017		**149 732**	**766 320**	**15 000**	**35 378**	**-135 191**	**831 241**	**748 658 252**	**748 658 252**

Statement of cash flow (unaudited)

CASH FLOW STATEMENT	**2017**	**2016**	**2016**
(condensed figures in NOK thousands)	Q1	Q1	Q1-Q4
Cash flow from operating activities			
Pre-tax profit (loss)	-15 637	-10 121	-62 637
Interest costs, reversed	91	-699	629
Interests income, reversed	-847	155	-2 399
Depreciation and amortisation	2 591	2 450	9 732
Impairment of tangible and intangible assets			467
Impairment of fixed assets		0	0
Change in provisions	0	292	-1 377
Change in inventories	-6 199	-5 257	-21 243
Change in trade receivables	-3 682	19 522	5 387
Change in trade payables	2 846	-10 168	30
Change in other short-term receivables and other short-term liabilities	6 813	-17 448	37 244
Net cash flow from operating activities	*-14 024*	*-21 275*	*-34 167*
Cash flow from investment activities			
Proceeds from sale of fixed assets	0	0	0
Acquisitions of fixed assets	-2 825	-552	-44 506
Acquisition of intangible assets	-8 582	-2 325	0
Disposal of fixed assets			37
Payment of loan given to associated company/JV			
Acquisitions of associated companies			-15 737
Acquisitions of subsidiaries / financial fixed assets			
Proceeds from sale of subsidiaries			
Net cash flow from investing activities	*-11 407*	*-2 878*	*-60 207*
Cash flow from financing activities			
Interest paid	-91	699	-629
Interest received	847	-154	2 399
Gross cash flow from share issues	176 747		7 118
Transaction costs connected to share issues	-5 642	-500	
Proceeds from new loan	0	413	
Payment of long term liabilities	-3 548	-311	-2 090
Net cash flow from financing activities	*168 313*	*147*	*6 798*
Net change in cash and cash equivalents	*142 882*	*-24 050*	*-87 575*
Cash and cash equivalents	**368 349**	**288 992**	**225 467**

Notes to the interim financial statements

1. Presentation

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). This financial information should be read together with the financial statements for the year ended 31st of December 2016 prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The accounting policies used and the presentation of the Interim Financial Statements are consistent with those used in the latest Annual Financial Statements.

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

2. Going concern

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

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

3. Significant estimates and judgements

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses

a. Judgements

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

Revenue recognition:

Based on the nature of the agreements with the customers, NEL has assessed that the production of the 0-series of the CAR-200 fueling station meets the criteria to fall within the scope of IAS 11 – Construction contracts. This revenue is thus recognised in proportion to the stage of completion of each contract activity.

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b. Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. Changes in accounting estimates are recognised in the period in which

the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. Segments

NEL operates within two business segments, Hydrogen fueling stations and Hydrogen Electrolysis solutions. Through its subsidiary NEL Hydrogen A/S based in Herning, Denmark, the group offers H2Stations® for fast fueling of fuel cell electric vehicles as well as services in relation to the supply of these stations. Through its subsidiary NEL Hydrogen AS, based in Notodden, Norway, the group offers hydrogen plants based on water electrolysis technology for use in various industries.

	Hydrogen Fueling stations			Hydrogen Electrolysis solutions			Other/ Elimination			Total		
	2017	2016	2016	2017	2016	2016	2017	2016	2016	2017	2016	2016
(figures in NOK million)	Q1	Q1	Full year	Q1	Q1	Full year	Q1	Q1	Full year	Q1	Q1	Full year
Total operating revenue	19,3	18,8	71,1	16,2	7,8	44,3	0,2	-0,6	-0,9	35,7	26,0	114,5
Total operating cost	24,7	19,5	87,2	3,4	11,6	52,3	23,5	5,0	30,3	51,6	36,1	169,8
Operating profit	-5,4	-0,7	-16,1	-0,2	-3,8	-8,0	-10,3	-5,6	-31,2	-15,9	-10,1	-55,3
Net Financial income (expence)	-0,2	-0,6	-0,4	-0,3	-0,1	-0,7	0,0	0,6	-6,2	-0,5	-0,1	-7,3
Pre- tax profit (loss)	-5,6	-1,3	-16,5	-0,6	-4,0	-8,7	-9,7	-4,4	-37,4	-15,9	-9,7	-62,6
Total Assets	138,9	53,3	414,2	101,5	82,5	108,9	692,6	645,3	191,1	933,0	781,1	771,1
Total Liabilities	52,1	26,1	40,6	56,0	49,2	63,6	-6,0	-8,8	46,4	102,1	66,5	150,6

5. Goodwill

The table below shows the movements in goodwill during Q1 2017

	Amount (NOKm)	
	2017	2016
	Q1	Full year
Goodwill as of 1 January	317,6	333,0
Other acquisitions in 2015		
Write down Goodwill Hyme (under liquidation)		(0,5)
Currency translation differences	-	(14,9)
Goodwill as of 31 December/31 December	317,6	317,6

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Nel ASA

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