Nel ASA

Q3 2017 interim report

Highlights of the quarter

- Nel ASA (Nel) reported revenues in the third quarter 2017 of NOK 111.7 million, up from NOK 24.4 million in Q3 2016
    - Underlying organic growth of >50% (excl. Proton)
    - Growth of ~40% on a like-for-like proforma basis
- All-time high order book of approximately NOK 460 million
- Private placement successfully completed in late September, raising gross proceeds of NOK 220 million
- Received additional purchase order on H2Station® equipment and services under previously announced California framework contract
- Awarded USD 8.3 million contract for delivery of world's largest combined hydrogen production and fueling facility to SunLine Transit Agency in California
- Received additional order for M-series hydrogen electrolyzer from Synergy in China, the agreement's fourth system order, bringing total agreement value to more than USD 22 million
- Received pre-engineering contract from H2V PRODUCT for Dunkerque project

Key figures

KEY FIGURES *(Unaudited figures in NOK million)*	**2017** Q3	**2016** Q3	**2017** YTD	**2016** YTD	**2016** FY
Operating revenue	111.7	24.4	186.6	63.9	114.5
Total operating costs	145.0	37.1	260.2	103.2	169.8
EBITDA	-18.5	-10.2	-53.5	-31.8	-44.9
EBIT	-33.3	-12.8	-73.6	-39.3	-55.3
Pre-tax profit	-36.4	-12.4	-79.8	-38.5	-62.6
Net profit	-32.6	-12.0	-75.2	-37.4	-55.8
Net cash flow from operating activities	-90.9	-10.5	-104.3	-58.9	-34.2
Cash balance end of period	85.6*	223.6	85.6	223.6	225.5

*) Nel completed a private placement late September, raising gross proceeds of NOK 220 million, with transfer of proceeds after the closing of the quarter

Financial development

Nel reported revenues in the third quarter 2017 of NOK 111.7 million (Q3 2016: NOK 24.4 million), following the integration of Proton Onsite during the quarter and an increased interest in hydrogen solutions as fueling stations, electrolyzers and integrated systems. The underlying organic revenue growth was just over 50% (excl. Proton). On a like-for-like pro-forma basis the revenue growth was approximately 40%.

The underlying project-development pipeline continues to develop positively, and the company experiences a satisfactory activity level for its prospects and ongoing tender processes. The planned activity level within business development in new markets, in addition to investments and preparation for increased sales and production ramp-up, develops as expected.

At the end of the third quarter of 2017, Nel had an all-time high order book of approximately NOK 460 million.

Costs of goods sold increased to NOK 65.8 million (15.2), while total other operating costs totaled NOK 79.1 million (21.9). Wage- and social cost expenses amounted to NOK 44.7 million (11.3), and other operating costs increased to NOK 19.7 million (8.1). The increase in cost level is mainly following the integration of Proton Onsite in the quarter, and increased business development activities and growth initiatives.

Depreciation and amortization increased to NOK 14.8 million (2.6). The increase is mainly a result of the depreciation of intangible assets related to technology, customer contracts and -relationships arising from the purchase price allocation (PPA) related to the acquisition of Proton Onsite.

Operating profit ended at NOK -33.3 million (-12.8), while the EBITDA ended at NOK -18.5 million (-10.2).

The 2017 non-cash costs for the stock option- and share incentive program, which are included in wages and social costs, are currently expected at an average of approximately NOK 4-5 million per quarter.

Share of profit and loss associate and joint venture of NOK -2.7 is related to ownership in, and elimination of profit from sales to Uno-X Hydrogen AS, where Nel has a 39% ownership.

Reported pre-tax profit was NOK -36.4 million (-12.4), while the net loss for the quarter was NOK -32.6 million, compared to a loss of NOK -12.0 million in the same quarter last year.

Total assets were NOK 1,480.3 million at the end of the third quarter of 2017, compared to NOK 762.9 million at the end of 2016. The increase is following the acquisition of Proton OnSite and balance sheet consolidation. Total equity was NOK 1,107.0 million. Thus, the equity ratio was 75 percent.

Net cash flow from operating activities in the third quarter 2017 was NOK -90.9 million, compared to NOK -10.5 million in the same quarter last year, an effect of Proton Onsite acquisition related items and working capital build-up related to higher sales/order level. Net cash flow from investing activities was NOK -24.4 million (-31.8), related to investments in the new facility in Herning and establishment of a joint venture with Deokyang Co. Ltd. in South Korea.

Nel's cash balance at the end of the third quarter was NOK 85.6 million. On September 27, the company completed a private placement of 88,000,000 new shares at a price of NOK 2.50 per share. The gross proceeds of NOK 220 million from the private placement were transferred to the company after the closing of the quarter.

The net proceeds will be used for additional working capital in response to increased order volumes and improved positioning to benefit from markets with high activity and growth momentum, build-up of the organization in connection with additional purchase orders, better financial positioning for large European power-to-gas projects, positioning Nel for the opportunity to take on attractive projects with strong industrial partners, and for general corporate purposes.

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.

The company finalized the acquisition of Proton OnSite, a global leader in hydrogen gas solutions on 30 June. Since 1996, Proton OnSite has been developing and applying hydrogen technology in creative and practical ways that best meet the diverse requirements of its customers. The advanced Proton Exchange Membrane (PEM) electrolysis systems coupled with the company's uncompromising attention to excellence and quality, enables Proton OnSite to deliver, install and support gas generation units on every continent.

Proton OnSite is consolidated in the Nel profit and loss statement from the third quarter of 2017, and is reported under Nel Hydrogen Electrolyser.

Nel Hydrogen Electrolyser

Production and installation of electrolyzers for hydrogen production.

Nel Hydrogen Electrolyser is the world’s largest producer of alkaline and PEM electrolyzers with global reach. The company dates back to 1927, when Norsk Hydro developed large-scale electrolyzer plants, providing hydrogen for use in ammonia production with fertilizer as the end-product. Since then, the electrolyzer technology has been improved continuously, 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 utilized as an energy carrier, both to maximize the utilization of renewable energy and, subsequently, as a sustainable fuel for zero-emission FCEVs. With the commercial introduction of FCEVs already taking place, Nel Hydrogen Electrolyser intends to supply the hydrogen fueling, energy storage and power-to-gas markets.

The electrolyzer 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 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 electrolyzers in the 1970s, and has sold more than 3500 electrolyzer units in 80 countries across Europe, South America, Africa and Asia. The company has production facilities in Notodden, Norway, and in Wallingford, Connecticut, USA. The company has a global reach through its in-house sales apparatus and extensive network of agents.

In addition, the company is developing the RotoLyzer®, a pressurized, compact electrolyzer, which utilizes 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 has completed a full scale commercial prototype, currently undergoing extensive long-term testing before being offered to the market. Nel is also working on a high pressure alkaline solution, with potential to improve both efficiency and reduce cost, and will be especially designed for a fully automated production line. The technology is currently scheduled to be tested during the second half of 2017.

Nel Hydrogen Fueling

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

Nel Hydrogen Fueling 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 – 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 utilize market opportunities across the Nel group and offers complete solutions to customers.

Nel Hydrogen Solutions offers efficient system integration, project development and sales across segments and is a provider of integrated solutions along the 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 returns on investment for station owners. Nel provides turn-key installation, offering multiple operation and maintenance services for the customers.

Storage solutions. Hydrogen is expected to play an important part in the future energy society, as intermediate energy storage in renewable energy systems. Nel's high performance, scalable electrolyzer technology stores surplus energy from solar and wind power, allowing energy suppliers stable and flexible delivery of electricity. When required, Nel also integrates equipment components from other leading global suppliers into the customized 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 satisfactory quarter with revenues of NOK 83.3 million, compared with NOK 9.0 million in the same quarter last year (on a like-for-like pro-forma basis the revenue growth was approximately 30% for the division), following the integration of Proton OnSite and ongoing electrolyzer project deployments. Proton OnSite fully complements Nel, both in terms of technology and market outreach, and the combined entity will be able to offer the full specter of electrolyzers in terms of capacity and technology. Nel is implementing the synergies related to sales and commercialization, product portfolio, R&D, and best practices across the combined company.

Nel Hydrogen Electrolyser is also progressing as planned with the commercialization of the RotoLyzer® electrolyzer, targeting a commercial unit of 10 Nm3/h by 2018 and long-lifetime tests during the fall of 2017.

During the quarter, Proton OnSite received an additional order for an M Series, Megawatt scale, hydrogen electrolyzers from Guangdong Synergy Hydrogen Power Technology Co., Ltd. ("Synergy") under the earlier announced agreement between the two companies. The order is the fourth system order under the agreement between Proton and Synergy, which covers up to 13 MW-systems and a total value of more than USD 22 million, including installation and associated services.

The order confirms the strong partnership between Nel/Proton, Synergy and the Yunfu government in the Guangdong Province of China. The market for heavy duty fuel cell trucks and buses is developing fast in China, and Nel/Proton is well-positioned to support this rapidly growing market with both electrolyzers and complete hydrogen refueling solutions.

The order has a value of up to USD 1.8 million, including installation, commissioning, and other related services. The installations and commissioning will start towards the end of 2017 and continue into 2018.

During the quarter, Nel also received a EUR 100,000 pre-engineering contract from H2V PRODUCT, a subsidiary of Alain Samson owned SAMFI-INVEST Group, under the exclusive, industrial power-to-gas program framework agreement. The parties are still working to finalize all the relevant contracts over the next number of months.

Assuming that agreements are reached, the H2V PRODUCT green hydrogen plants will be built in Les Hauts de France and Normandie Régions, next to the natural gas pipelines, where the site and exclusivity already are secured by the property prospector team of H2V PRODUCT.

The first H2V PRODUCT hydrogen plant is expected to be developed from 2018-2020, for a total contract value of approximately NOK 450 million. The site of the hydrogen production facility can hold significantly more capacity and the target is to continue to add additional lines in the period between 2020-2025.

In order to comply with the contract, Nel will be required to expand its production capacity. Formal investment decision related to capacity expansions is expected in connection with final agreements. Nel is preparing to expand the production capacity at Notodden, Norway, during 2018, with supporting production capacity in France. By adding production equipment and increasing number of operator shifts, Nel Electrolyser can increase its production capacity by 7 to 8 times.

Nel Hydrogen Fueling

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

Production moved into the new facility in the third quarter, and production of the first US stations was initiated.

Nel Hydrogen Solutions

Proton Onsite and Nel Hydrogen Solutions received a purchase order of USD 8.3 million on a combined hydrogen PEM electrolyzer and H2Station® fueling solution for SunLine Transit Agency (SunLine) in California. The combined solution will have a hydrogen capacity of up to 900 kg per day, making it the world's largest combined hydrogen production and fueling facility currently being contracted.

SunLine will use the solution for fueling of their growing fleet of Fuel Cell Electric Buses operating in the Palm Springs area in California. This delivery highlights the combined strengths of Proton and Nel, using cutting-edge technology, both within PEM electrolysis and heavy duty fueling solutions for buses. The project is also strategically important for Nel and Proton, as it showcases the joint capabilities for future hydrogen projects.

The facility will be delivered turn-key, consisting of one Proton PEM M400 electrolyzer, and two H2Station® units from Nel. The awarded contract has a total value of just over USD 8.3 million, with expected delivery and installation during 2018.

The project is supported by the Californian Air Resources Board (CARB) under the California Climate Investments (CCI) program.

Nel Hydrogen Solutions also received an additional purchase orders on H2Station® equipment and services from Equilon Enterprises LLC (Royal Dutch Shell Plc, "Shell") under the earlier announced California framework contract. The purchase orders have a total value of just over NOK 50 million with expected delivery and installation during 2018.

The NOK 50 million order comes in addition to the order announced in March this year, and further marks the strong start to Nel's hydrogen partnership in California.

Corporate developments

Following the increased order volumes and the proved positioning to benefit from markets with high activity and growth momentum, the company on September 27 completed a private placement of 88,000,000 new shares at a price of NOK 2.50 per share, raising gross proceeds of NOK 220 million. The company is preparing for a subsequent offering of 10 million shares at NOK 2.50 per share.

All shareholders as of September 27 will be invited to subscribe once the prospectus is approved.

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 positioned to play a leading role in a fast-moving industry. Nel offers a complete range of electrolyzer technology and targets to be a world leading electrolyzer company, positioning the company for the expected market growth in the foreseeable future.

Nel aims at creating a rapidly growing company, leveraging on the arising opportunities for hydrogen in new renewable industrial applications, targeting a continued technology leadership, global presence, cost competitiveness, and to be the preferred partner for the industry.

Nel group

- The Nel group has a current all-time-high order backlog of approximately NOK 460 million
- Following the September private placement, the company's current organic strategy and business plan is well-funded

Nel Hydrogen Electrolyser

- All time high level of sales leads, both in traditional and new markets, implementation of synergies

Nel Hydrogen Fueling

- Started production in new Herning facility early August, currently focusing on U.S. H2Station® modules for Shell
- Start to ship U.S. stations towards the end of the year

Nel Hydrogen Solutions

- Currently pursuing projects together with Proton in the US and other locations
- Hyon (JV with Hexagon and PowerCell) is operational and working to develop sales pipeline further

Oslo, 30 October 2017

The Board of Directors

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

Condensed interim financial statements

Statement of comprehensive income (unaudited)

PROFIT & LOSS *(condensed figures in NOK thousands)*	**2017** Q3	**2016** Q3	**2017** Q1-Q3	**2016** Q1-Q3	**2016** Q1-Q4
Operating Income					
Sales income	107 395	22 899	178 020	56 494	98 446
Other operating income	4 329	1 471	8 555	7 355	16 032
Total operating revenue	**111 724**	**24 371**	**186 575**	**63 850**	**114 479**
Operating expenses					
Cost of goods sold	65 848	15 186	108 475	30 985	60 841
Total cost of goods sold	**65 848**	**15 186**	**108 475**	**30 985**	**60 841**
Operating costs					
Wages and social costs	44 665	11 265	83 504	37 175	60 266
Depreciation and amortization	14 842	2 597	20 150	7 530	10 431
Other operating costs	19 674	8 075	48 078	27 461	38 253
Total other operating costs	**79 181**	**21 936**	**151 732**	**72 166**	**108 950**
Total operating costs	**145 030**	**37 122**	**260 208**	**103 151**	**169 790**
Operating profit (loss)	**-33 306**	**-12 752**	**-73 633**	**-39 302**	**-55 312**
Financial income	1 284	720	3 721	2 501	3 599
Financial expenses	1 711	389	5 686	1 100	1 759
Share of profit and loss associate and joint venture	-2 653	3	-4 232	-608	-9 165
Net financial income/expense	**-3 080**	**334**	**-6 197**	**793**	**-7 325**
Profit (loss) before taxes	**-36 386**	**-12 418**	**-79 830**	**-38 508**	**-62 637**
Tax costs	-3 802	-388	-4 650	-1 168	-6 808
NET PROFIT (LOSS)	**-32 584**	**-12 030**	**-75 180**	**-37 341**	**-55 829**
Items that may subsequently be reclassified to profit or loss					
Currency translation differences	10 129	-12 495	10 806	-20 986	-19 617
Other comprehensive income	**10 129**	**-12 495**	**10 806**	**-20 986**	**-19 617**
TOTAL COMPREHENSIVE INCOME	**-22 455**	**-24 524**	**-64 374**	**-58 327**	**-75 446**
Basic EPS *(figures in NOK)*	**-0.0362**	**-0.0177**	**-0.0948**	**-0.0548**	**-0.0818**
Diluted EPS *(figures in NOK)*	**-0.0362**	**-0.0177**	**-0.0948**	**-0.0548**	**-0.0818**

Statement of financial position (unaudited)

BALANCE SHEET *(condensed figures in NOK thousands)*	**2017** Q3	**2016** Year end
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Technology	329 429	57 854
Customer contracts	14 617	0
Customer relationship	82 118	27 861
Goodwill	575 236	317 629
Total intangible assets	**1 001 400**	**403 344**
Tangible fixed assets		
Land, buildings and real estate	67 942	44 778
Fixtures and fittings, tools, etc.	16 355	1 025
Total tangible fixed assets	**84 297**	**45 804**
Financial fixed assets		
Investments in associates	18 293	13 708
Other financial fixed assets	11 299	0
Total financial fixed assets	**29 592**	**13 708**
Total non- current assets	**1 115 289**	**462 855**
CURRENT ASSETS		
Inventories	112 640	36 266
Trade receivables	120 070	34 974
Other receivables	46 690	3 312
Financial current assets	0	0
Cash and cash equivalents	85 589	225 467
Total current assets	**364 989**	**300 019**
TOTAL ASSETS	**1 480 278**	**762 875**
EQUITY AND LIABILITIES		
Equity		
Share capital	180 143	136 736
Share premium/Other paid equity	1 066 734	619 329
Treasury shares	-396	-1 377
Retained earnings	-139 524	-83 468
Total equity	**1 106 958**	**671 219**
NON-CURRENT LIABILITIES		
Deferred tax liability	138 078	13 552
Total provisions	**138 078**	**13 552**
Other long term liabilities		
Other long term liabilities	25 356	12 550
Total other long term liabilities	**25 356**	**12 550**
CURRENT LIABILITIES		
Liabilities		
Accounts payable	79 176	16 790
Tax payable	0	370
Social security, VAT etc. payable	76	1 347
Dividends payable	0	0
Other current liabilities	130 634	47 046
Total current liabilities	**209 886**	**65 553**
TOTAL EQUITY AND LIABILITIES	**1 480 278**	**762 875**

Statement of changes in equity (unaudited)

Statement of changes in Equity and Number of Shares:									
(figures in NOK thousand/numbers)	Note	Share capital	Share premium	Other reserves	Curr. conv. effects	Other equity	Total equity	No. of shares	Cum. No. of shares
As at 31st December 2015		**136 120**	**601 710**	**1 200**	**20 220**	**-28 242**	**731 008**	**680 601 326**	**680 601 326**
Net profit 2016						-55 829	-55 829		
Increase of capital in 2016		616	6 503				7 119	3 076 926	683 678 252
Options and share program				9 916			9 916		
Treasury shares						-1 377	-1 377		
Currency translation differences 2016					-19 617		-19 617		
As at 31 Desember 2016		**136 736**	**608 213**	**11 116**	**603**	**-85 448**	**671 219**	**683 678 252**	**683 678 252**
Net profit Q1-Q3 2017						-75 180	-75 180		
Capital increases Q1-Q3 2017		43 407	520 536				563 943	217 036 700	900 714 952
Adjustment to purchase price allocation*)						-78 467	-78 466		
Options and share program				13 655			13 655		
Treasury shares						981	981		
Currency translation differences 2017					10 806		10 806		
As at 30 September 2017		**180 143**	**1 128 749**	**24 771**	**11 409**	**-238 114**	**1 106 958**	**900 714 952**	**900 714 952**

*) Equity has been adjusted due to the updated purchase price allocation related to the acquisition of Proton OnSite in Q2 2017.

Statement of cash flow (unaudited)

CASH FLOW STATEMENT	**2017**	**2016**	**2017**	**2016**	**2016**
(condensed figures in NOK thousands)	Q3	Q3	Q1-Q3	Q1-Q3	Q1-Q4
Cash flow from operating activities					
Pre-tax profit (loss)	-36 386	-12 418	-79 830	-38 508	-62 637
Interest costs, reversed	85	-487	263	-1 835	629
Interests income, reversed	-521	145	-2 226	488	-2 399
Depreciation and amortization	14 842	2 597	20 150	7 530	9 732
Impairment of tangible and intangible assets	0	0	0		467
Impairment of fixed assets	0	0	0		0
Change in provisions	1 424	361	17 892	-2 969	-1 377
Change in inventories	10 937	-7 323	-76 374	-16 297	-21 243
Change in trade receivables	-44 898	-15 833	-85 096	772	5 387
Change in trade payables	30 821	1 242	62 386	-10 721	30
Change in other short-term receivables and other short-term liabilities	-67 220	21 185	38 569	2 676	37 244
Net cash flow from operating activities	*-90 916*	*-10 532*	*-104 266*	*-58 864*	*-34 167*
Cash flow from investment activities					
Proceeds from sale of fixed assets	0	0	0	0	0
Acquisitions of fixed assets	-7 278	-28 809	-24 357	-30 604	-44 506
Acquisition of intangible assets	-8 313	-2 958	-18 411	-9 601	0
Disposal of fixed assets	0	0	0	0	37
Payment of loan given to associated company/JV	-198	0	-198	0	0
Acquisitions of associated companies	-8 624	0	-8 624	0	-15 737
Acquisitions of subsidiaries / financial fixed assets	0	0	-169 220	-200	0
Proceeds from sale of subsidiaries	0	0	0	15	0
Net cash flow from investing activities	*-24 413*	*-31 767*	*-220 810*	*-40 389*	*-60 207*
Cash flow from financing activities					
Interest paid	-85	487	-263	1 835	-629
Interest received	521	-145	2 226	-488	2 399
Gross cash flow from share issues	376	0	202 287	7 619	7 118
Other financial fixed assets	0	0	0	0	0
Transaction costs connected to share issues	-402	0	-14 332	-500	0
Proceeds from new loan	0	356	0	2 311	0
Payment of long term liabilities	-669	-619	-4 719	-928	-2 090
Net cash flow from financing activities	*-259*	*79*	*185 199*	*9 849*	*6 798*
Net change in cash and cash equivalents	*-115 588*	*-42 220*	*-139 877*	*-89 404*	*-87 575*
Cash and cash equivalents	**85 589**	**223 638**	**85 589**	**223 638**	**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 recognized 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 recognized in proportion to the stage of completion of each contract activity.

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

4. Segments

Nel operates within two business segments, Nel Hydrogen Fueling/Solutions and Nel Hydrogen Electrolysis . Through its subsidiary Nel Hydrogen A/S (formerly H2 Logic 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 and Proton Energy Systems, Inc. (Proton OnSite), based in Wallingford, Connecticut, USA, the group offers hydrogen plants based on PEM water electrolyzer technology for use in various industries.

(figures in NOK million)	Nel Hydrogen Fueling/Solutions stations 2017 Q3	2016 Q3	2016 Full year	Nel Hydrogen Electrolysis solutions 2017 Q3	2016 Q3	2016 Full year	Other/ elimination 2017 Q3	2016 Q3	2016 Full year	Total 2017 Q3	2016 Q3	2016 Full year
Total operating revenue	28.2	15.3	71.1	83.3	9.0	44.3	0.2	0.0	-0.9	111.7	24.4	114.5
Total operating cost	37.1	19.6	87.2	87.7	11.3	52.3	20.2	6.2	30.3	145.0	37.1	169.8
Operating profit	-8.9	-4.3	-16.1	-4.3	-2.3	-8.0	-20.1	-6.2	-31.2	-33.3	-12.8	-55.3
Net Financial income (expense)	-0.9	0.0	-0.4	0.4	-0.2	-0.7	-2.6	0.6	-6.2	-3.1	0.3	-7.3
Pre- tax profit (loss)	-9.8	-4.3	-16.5	-4.0	-2.5	-8.7	-22.6	-5.6	-37.4	-36.4	-12.4	-62.6
Total Assets	199.8	412.4	131.1	243.4	148.6	108.9	1037.1	200.2	531.1	1480.3	761.2	762.9
Total Liabilities	127.1	42.5	40.6	183.1	24.6	63.6	63.0	14.4	46.4	373.2	81.4	91.7

*Proton Onsite was acquired by Nel ASA at the end of Q2 2017. Measured from the transaction date total profit related to Proton OnSite included in the consolidated statement of comprehensive income in the first and second quarters 2017 amounts to zero.

5. Goodwill

The table below shows the movements in goodwill during 2017

Amount (NOKm)	2017 Q1-Q3	2016 Full year
Goodwill as of 1 January	317.6	333.0
Acquisition of Proton Onsite in 2017	257.7	
Write down Goodwill Hyme (under liquidation)		(0.5)
Currency translation differences	-	(14.9)
Goodwill as of 30 September/31 December	575.2	317.6

6. Acquisition of Proton OnSite

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

Cost of business combination	Shares acquired	NOK m
Agreed purchase price	100 %	519.5
Book value equity		50.9
Excess value		468.6
Goodwill pre-acquisition		-
Excess value to be allocated		468.6
Excess value is allocated to:		
Intangible assets		
Customer contracts		19.5
Customer relationships		59.0
Technology		261.7
Deferred tax		-129.3
Total allocated		210.9
Goodwill		257.7

The acquired goodwill is not tax deductible

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