Nel ASA

Q4 2017 interim report

Highlights of the quarter

- Nel ASA (Nel) reported revenues in the fourth quarter 2017 of NOK 111.9 million, up from NOK 50.6 million in Q4 2016, mainly following the acquisition of Proton OnSite
    - Growth in FY 2017 of ~15% on a like-for-like proforma basis (incl. Proton)
    - Underlying organic growth in FY 2017 of ~40% (excl. Proton)
- Order backlog grew slightly to approximately NOK 465 million
- Entered into exclusive partnership with Nikola for development of mega-scale hydrogen fueling stations for the world's largest hydrogen network
    - Received purchase order from Nikola for two demo hydrogen fueling stations totaling USD 3.6 million
- Successfully completed a subsequent offering of 10,000,000 new shares in Nel at a subscription price of NOK 2.50 per share
    - Nel's cash balance at the end of the fourth quarter was NOK 295.0 million
- Awarded EUR 4.5 million purchase order for a combined electrolyzer and fueling station in Estonia
- Awarded NOK 20 million public grant, through the JV Uno-X Hydrogen, from Enova for deployment of two additional fueling stations in Akershus, Norway
- Received combined purchase orders of USD 2.3 million for electrolyzer cell stacks for U.S. and U.K. navy submarine fleets
- Evaluating scaling up production capacity at Notodden by up to 10x to accommodate mega-scale orders and maintaining leading cost position

Subsequent events

- Entered into a contract for a H2Station® fueling solution for SSAB EMEA AB in Sweden

Key figures

KEY FIGURES *(Unaudited figures in NOK million)*	**2017** Q4	**2016** Q4	**2017**	**2016**
Operating revenue	111.9	50.6	298.4	114.5
Total operating costs	155.4	66.6	415.6	169.8
EBITDA	-27.7	-13.1	-81.2	-44.9
EBIT	-43.5	-16.0	-117.2	-55.3
Pre-tax profit	-44.6	-24.1	-124.4	-62.6
Net profit	22.7	-18.5	-52.4	-55.8
Net cash flow from operating activities	2.7	11.0	-113.0	-34.2
Cash balance end of period	295.0	225.5	295.0	225.5

Financial development

Nel reported revenues in the fourth quarter 2017 of NOK 111.9 million (Q4 2016: 50.6 million), following the integration of Proton Onsite and an increased interest in hydrogen solutions as fueling stations, electrolyzers and integrated systems. The underlying organic revenue growth in FY 2017 was ~40% (excl. Proton).

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 2017, Nel had an order book of approximately NOK 465 million.

Costs of goods sold increased to NOK 58.0 million (29.9), while total other operating costs totaled NOK 97.4 million (36.8). Wage- and social cost expenses amounted to NOK 46.5 million (23.1), and other operating costs increased to NOK 35.1 million (10.8). The increased cost level follows the integration of Proton Onsite, increased business development activities and considerable growth initiatives. The costs in the quarter were negatively impacted by non-recurring project costs in relation the deployment of certain installations which required extra resources to fulfil the company´s quality standards.

The level of EBITDA ended slightly lower than expected, largely due to elements mentioned above. To reduce the risk for adverse effects going forward, work is ongoing to improve routines and procedures and to further strengthen the organization in areas like project management/-execution and contract development/supplier follow-up.

Depreciation and amortization increased to NOK 15.8 million (2.9). 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 -43.5 million (-16.0), while the EBITDA ended at NOK -27.7 million (-13.1).

The 2017 non-cash costs for the stock option- and share incentive program, which are included in wages and social costs, were NOK 5.7 million in the quarter, and are currently expected at an average of approximately NOK 4-5 million per quarter going forward.

Share of profit and loss from associates and joint ventures of NOK -2.8 million is mainly related to ownership in, and elimination of profit from sales to Uno-X Hydrogen AS, where Nel has a 39% ownership.

Reported pre-tax profit was NOK -44.6 million (-24.1).

At the end of 2017, a new tax act was adopted in USA reducing the corporate tax rate from 38% to 21%, with effect from 1 January 2018. This change in corporate tax rate represents a positive effect of NOK 53.2 million (out of total positive tax income of NOK 67.3 million) in the fourth quarter. The NOK 53.2 million tax income arises from the reduction of the deferred tax liability related to the excess values allocated to identifiable intangible assets in the purchase price allocation of the Proton acquisition.

Consequently, the net profit for the quarter was positive NOK 22.7 million, compared to a loss of NOK -18.5 million in the same quarter last year. Total assets were NOK 1,725.7 million at the end of 2017, compared to NOK 762.9 million at the end 2016. The increase is following the acquisition of Proton OnSite. Total equity was NOK 1 409.4 million. Thus, the equity ratio was 82 percent.

Net cash flow from operating activities in the fourth quarter 2017 was NOK 2.7 million, compared to NOK 11.0 million in the same quarter last year, an effect of working capital changes. Net cash flow from investing activities was NOK -29.1 million (-9.2), mainly related to investments in the new facility in Herning and development costs throughout the divisions.

Nel's cash balance at the end of the fourth quarter was NOK 295.0 million, following the total gross transfer of the NOK 245 million from the private placement and subsequent offering. 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.

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 as a sustainable fuel for zero-emission FCEVs. Hydrogen from electrolysis will be key in producing large quantities of sustainable energy in various forms, with the ability to adapt to diverse and intermittent renewable energy sources becoming increasingly important. Such applications include: power to gas, power to fuel, power to power, power to biofuel, power to green ammonia, power to green methanol, power to methane, CO2 free steel/titanium slag and power to refineries.

The electrolyzer market currently accounts for only a small fraction of the total hydrogen market, but is expected to gain market share at the same time as the total hydrogen market is expected to grow significantly in the coming years, primarily driven by increased fueling and energy storage demand.

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 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.

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 booked revenues of NOK 78.7 million, up from NOK 23.4 million in Q4 2016, mainly following the acquisition of Proton OnSite. The revenue growth of Nel Hydrogen Electrolyser in FY 2017 was 6% on a like-for-like proforma basis, and the underlying organic growth in FY 2017 was ~30% (excl. Proton).

Proton OnSite fully complements Nel, both in terms of technology and market outreach, and the combined entity offers 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 with the commercialization of the RotoLyzer® electrolyzer, targeting a commercial unit of 10 Nm3/h.

During the quarter, Proton received combined purchase orders for electrolyzer cell stacks from United Technologies Aerospace Systems (UTAS) for the U.S. and U.K. submarine fleets, at a value of more than USD 2.3 million.

The electrolyzer stacks produce critical life support oxygen for Navy crews on multiple classes of nuclear powered submarines and will be delivered under an exclusive contract. The orders demonstrate the robustness of the PEM technology that is delivering mission critical oxygen to the sailors onboard the Navy submarine fleets. The cell stack technology jointly developed by Proton and UTAS for their Navy customers has also been integrated into commercial electrolyzers under Proton's C-Series® product line.

With the above-mentioned orders, the contract coverage/order backlog for Nel Hydrogen Electrolyser, for the coming periods, is good. However, the short-term contract coverage related to operations in Norway still needs work and significant effort has been mobilized to address this.

During 2017, the company entered into an agreement with H2V PRODUCT, a subsidiary of Alain Samson owned SAMFI-INVEST Group, for the world's largest power-to-gas project. Finalizing the agreements has taken longer than expected and, even with uncertainty on the exact timeline, the parties target to finalize 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.

Nel evaluates a 10x ramp-up of capacity from 25MW to 250MW following the orders from H2V and Nikola. The production capacity ramp-up will reduce the costs by more than 30%, and allows Nel to maintain a leading cost position and gives competitive advantage towards future hydrogen projects. The first capacity extension from 25MW to 40 MW was completed at minimal cost.

Nel Hydrogen Fueling

The new Herning facility continues to be on track, with total investments of NOK 85 million, herof remaining approximately NOK 20 million in 2018 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.

Nel Hydrogen Solutions

Nel Hydrogen Fueling and Solutions revenues in the quarter was NOK 33.2 million, representing a growth of ~20% for the division.

Nel received a purchase order from Nikola Motor Company (Nikola) for two demo refueling stations to provide hydrogen to Nikola's fleet of prototype hydrogen trucks. The purchase order is the initial part of an exclusive partnership aiming at developing low-cost renewable hydrogen production and fueling sites for the potential development of 14 large-scale sites with a capacity up to 32 tons of hydrogen per day.

Nikola has entered into an agreement with Nel to work exclusively on all hydrogen stations involving electrolysis. The initial part of the partnership includes building two demo-stations for hydrogen fueling, which will serve the Nikola test fleet that will begin rolling out next year. The initial purchase order has a value of USD 3.6 million and delivery of the demo stations is intended to start in the second half of 2018.

Nel Hydrogen Solutions received a purchase order on a combined hydrogen PEM electrolyser and H2Station® fueling solution for NT Bene in Estonia, Europe. The combined solution will have a hydrogen capacity of more than 400kg/day and will be used for fueling of cars, busses and trucks.

This is the first Proton PEM electrolyser combined the Nel H2Station® in Europe, leveraging on the market synergies across the group. The H2Station® will be installed in the city of Pärnu in Estonia, where it will serve cars and later a fleet of busses and trucks. The awarded contract has a total value of EUR 4.5 million, with expected delivery and installation during 2019.

Uno-X Hydrogen AS, a joint venture where Nel has a 39% ownership, was awarded a grant of NOK 20 million from the Norwegian public enterprise Enova SF, for expanding the Norwegian hydrogen network with two hydrogen fueling stations in Akershus.

The grant will ensure a solid, initial network of fueling stations in Akershus county. Furthermore, it marks an important next step in establishing a network of hydrogen fueling stations that will enable wide-spread use of hydrogen vehicles in and between the major cities in Norway by 2020.

The support is also another positive signal from the government recognizing hydrogen as an important zero-emission fuel for the Norwegian transport sector.

Enova SF is a Norwegian public enterprise responsible for the promotion of environmentally friendly production and consumption of energy. In 2017, Enova issued a support program to support establishment of hydrogen infrastructure, as well as support for fleet users to purchase hydrogen vehicles and stations.

Corporate developments

2017 was a year of accelerated commercial activities, and during the past year, Nel has been successful in securing some of the most prestigious contracts in the industry. For 2018 and beyond, Nel is moving into a mode of execution, including preparing for significant capacity expansions. As a consequence, Nel is evaluating several initiatives with the intent to strengthen the organization in areas like project management/execution, contract development/supplier follow-up, as well as operational excellence. These initiatives will be triggered in parallel with decisions for further investments within the area of Electrolysis, in line with activities related to H2V and Nikola.

Following the increased order volumes and the proved positioning to benefit from markets with high activity and growth momentum, the company completed a private placement of 88,000,000 new shares at a price of NOK 2.50 per share in the third quarter, with transfer of the NOK 220 million in the fourth quarter.

During the quarter, the company completed a subsequent offering of 10,000,000 new shares in Nel at a subscription price of NOK 2.50 per share.

In December 2017, Nel's Danish subsidiary company, Nel Hydrogen A/S received a writ of summons from one of its American suppliers, PDC Machines, Inc. (PDC) regarding alleged misappropriations of compressor trade secrets.

PDC claims that Nel has misappropriated PDC's trade secrets by filing the international patent application no. WO2016/184468, titled "Diaphragm Compressor with an Oblong Shaped Chamber" on 12 May 2016 and otherwise has utilized PDC's trade secrets in Nel's development of a diaphragm compressor.

A compressor is a component in a hydrogen refueling station, including Nel's H2Stations®.

Since compressors generally available on the market are not developed specifically for use in hydrogen refueling stations, Nel has carried out substantial development efforts for more than five years with the aid of public funding. The purpose has been to develop a diaphragm compressor which is especially designed for use in hydrogen fueling applications, with increased performance and durability, which will be fully integrated into and adapted for the H2Stations. After a thorough investigation of PDC's claims, with the assistance of external experts, Nel see the allegations from PDC as unfounded and strongly reject the allegations.

Nel will not record any provisions related to this claim. The writ of summons was filed with the United States District Court in the Eastern District of Pennsylvania.

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 within energy storage and hydrogen fueling, targeting a continued technology leadership, global presence, cost leadership and to be the preferred partner for the industry.

Nel Group

- Nel has a current order backlog of approximately NOK 465 million
- Cash balance of NOK 295.0 million at end of year to support continued development

Nel Hydrogen Electrolyser

- All time high level of sales leads, both in traditional and new markets
- Working to implement synergies between Norwegian and US operations
- Evaluating scaling up production capacity at Notodden by up to 10x to accommodate mega-scale orders and maintaining leading cost position

Nel Hydrogen Fueling

- Continued ramp-up of production capacity at the Herning facility. Good contract coverage for 2018
- California installation- and service team in place, preparing for installations of Shell-, as well as Sunline- and H2Frontier stations

Nel Hydrogen Solutions

- Working to secure contracts on H2Stations® in Korea and Europe
- Exploring market opportunities in China, and alternative penetration strategies
- Ongoing collaboration on H2Bus Europe for a large-scale hydrogen bus rollout

Oslo, 15 February 2018

The Board of Directors

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

Condensed interim financial statements

Statement of comprehensive income (unaudited)

FINANCIAL STATEMENT - Q4 2017

PROFIT & LOSS *(condensed figures in NOK thousands)*	**2017** Q4	**2016** Q4	**2017** Q1-Q4	**2016** Q1-Q4
Operating Income				
Sales income	108 344	41 952	286 365	98 446
Other operating income	3 506	8 677	12 061	16 032
Total operating income	**111 851**	**50 629**	**298 426**	**114 479**
Operating expenses				
Cost of goods sold	57 974	29 856	163 638	60 841
Total cost of goods sold	**57 974**	**29 856**	**163 638**	**60 841**
Operating costs				
Wages and social costs	46 516	23 091	130 021	60 266
Depreciation	15 818	2 900	35 968	10 431
Other operating costs	35 072	10 793	85 961	38 253
Total other operating costs	**97 406**	**36 784**	**251 950**	**108 950**
Total operating costs	**155 380**	**66 639**	**415 588**	**169 791**
Operating profit (loss)	**-43 530**	**-16 010**	**-117 162**	**-55 312**
Financial income	3 252	1 098	6 973	3 599
Financial expenses	1 497	660	7 183	1 759
Share of profit (-loss) from associates and joint ventures	-2 842	-8 557	-7 074	-9 165
Net financial income/expense	**-1 087**	**-8 119**	**-7 284**	**-7 325**
Profit (loss) before taxes	**-44 617**	**-24 129**	**-124 447**	**-62 637**
Tax costs (-income)	-67 350	-5 640	-72 000	-6 808
NET PROFIT (LOSS)	**22 733**	**-18 488**	**-52 447**	**-55 829**
Items that may subsequently be reclassified to profit or loss				
Currency translation differences	7 431	3 804	18 237	-19 617
TOTAL COMPREHENSIVE INCOME	**30 164**	**-14 684**	**-34 210**	**-75 447**
Basic EPS *(figures in NOK)*	**0,054**	**-0,027**	**-0,041**	**-0,082**
Diluted EPS *(figures in NOK)*	**0,053**	**-0,027**	**-0,040**	**-0,084**

Statement of financial position (unaudited)

FINANCIAL STATEMENT - Q4 2017

BALANCE SHEET	**2017**	**2016**
(condensed figures in NOK thousands)	Year end	Year end
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Technology	338 510	57 854
Customer relationship	78 329	27 861
Customer contracts	9 575	0
Goodwill	591 735	317 629
Total intangible assets	**1 018 150**	**403 344**
Tangible fixed assets		
Land, buildings and real estate	79 654	44 778
Fixtures and fittings, tools, etc.	16 544	1 025
Total tangible fixed assets	**96 198**	**45 804**
Financial fixed assets		
Investments in associates	16 765	13 708
Other financial fixed assets	10 261	0
Total financial fixed assets	**27 026**	**13 708**
Total non- current assets	**1 141 374**	**462 855**
CURRENT ASSETS		
Inventories	138 723	36 266
Trade receivables	96 791	34 974
Other receivables	53 768	3 312
Cash and cash equivalents	295 000	225 467
Total current assets	**584 282**	**300 019**
TOTAL ASSETS	**1 725 656**	**762 875**
EQUITY AND LIABILITIES		
Equity		
Share capital	199 743	136 736
Share premium/Other paid-in equity	1 308 421	619 329
Treasury shares	-4 405	-1 377
Retained earnings/Other equity	-94 373	-83 468
Total equity	**1 409 387**	**671 219**
NON-CURRENT LIABILITIES		
Deferred tax liability	68 273	13 552
Total provisions	**68 273**	**13 552**
Other long term liabilities		
Other long term liabilities	34 123	12 550
Total other long-term liabilities	**34 123**	**12 550**
CURRENT LIABILITIES		
Liabilities		
Accounts payable	64 857	16 790
Tax payable	0	370
Social security, VAT etc. payable	3 060	1 347
Other current liabilities	145 957	47 046
Total current liabilities	**213 874**	**65 553**
TOTAL EQUITY AND LIABILITIES	**1 725 656**	**762 875**

Statement of changes in equity (unaudited)

Statement of changes in Equity and Number of Shares: *(figures in NOK thousands/numbers)*	Share capital	Share premium	Other reserves	Curr. conv. effects	Other equity	Total equity	Number of shares
As at 31st December 2015	**136 120**	**601 710**	**1 200**	**20 220**	**-28 242**	**731 008**	**680 601 326**
Comprehensive income 2016				-19 617	-55 829	-75 446	
Capital increases 2016	616	6 503				7 119	3 076 926
Options and share program			9 916			9 916	
Treasury shares					-1 377	-1 377	
As at 31 December 2016	**136 736**	**608 213**	**11 116**	**603**	**-85 448**	**671 219**	**683 678 252**
Comprehensive income 2017				18 237	-52 447	-34 210	
Capital increases 2017	63 007	698 069				761 076	315 036 700
Options and share program			17 285			17 285	
Treasury shares					-4 136	-4 136	
Other changes		2 139			-3 987	-1 848	
As at 31 December 2017	**199 743**	**1 308 421**	**28 401**	**18 840**	**-146 018**	**1 409 387**	**998 714 952**

Statement of cash flow (unaudited)

FINANCIAL STATEMENT - Q4 2017

CASH FLOW STATEMENT	**2017**	**2016**	**2017**	**2016**
(condensed figures in NOK thousands)	Q4	Q4	Q1-Q4	Q1-Q4
Cash flow from operating activities				
Pre-tax profit (loss)	-44 617	-24 129	-124 447	-62 637
Interest costs, reversed	48	141	311	629
Interests income, reversed	-216	-534	-2 442	-2 399
Depreciation	15 818	2 900	35 968	9 732
Impairment of tangible and intangible assets	0	2 231	0	467
Change in provisions	37 526	-721	44 002	-1 377
Change in inventories	-26 083	-4 947	-102 457	-21 243
Change in trade receivables	23 279	4 615	-61 817	5 387
Change in trade payables	-14 319	10 751	48 067	30
Change in other short-term receivables and other short-term liabilities	11 229	20 691	49 798	37 244
Net cash flow from operating activities	*2 663*	*11 000*	*-113 018*	*-34 167*
Cash flow from investment activities				
Acquisitions of fixed assets	-12 191	-1 170	-36 548	-44 506
Acquisition of intangible assets	-16 940	-185	-35 351	0
Disposal of fixed assets	0	0	0	37
Payment of loan given to associated company/JV	0	-7 800	-198	0
Acquisitions of associated companies	0	0	-8 624	-15 737
Acquisitions of subsidiaries / financial fixed assets	0	0	-169 220	0
Acquisition of subsidiaries cash balance acquired	0	0	30 669	0
Net cash flow from investing activities	*-29 130*	*-9 155*	*-219 272*	*-60 207*
Cash flow from financing activities				
Interest paid	-48	-141	-311	-629
Interest received	216	534	2 442	2 399
Gross cash flow from share issues	245 000	0	428 033	7 118
Transaction costs connected to share issues	-9 291	0	-23 623	0
Proceeds from new loan	0	-103	0	0
Payment of long-term liabilities	0	-306	-4 719	-2 090
Net cash flow from financing activities	*235 878*	*-16*	*401 823*	*6 798*
Net change in cash and cash equivalents	*209 411*	*1 829*	*69 533*	*-87 575*
Cash and cash equivalents beginning of period	85 589	223 638	225 467	313 042
Cash and cash equivalents	**295 000**	**225 467**	**295 000**	**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.

No new significant accounting policies have been adopted in the period. IFRS 15 revenue from contracts with customers will be adopted from 2018. The effect IFRS 15 would have had on the Financial Statements 2017 are described in note 7.

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 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 Electrolyser. Through its subsidiary Nel Hydrogen A/S based in Herning, Denmark, Nel offers H2Stations® for fast fueling of fuel cell electric vehicles as well as services in relation to the supply of these stations. Through its subsidiary Nel Hydrogen Electrolyser AS, based in Notodden, Norway and Proton Energy Systems, Inc. based in Wallingford, Connecticut, USA, the group offers hydrogen plants based on PEM and alkaline water electrolyzer technology for use in various industries.

	Nel Hydrogen Fueling/Solutions			Nel Hydrogen Electrolyser			Other/elimination*			Total		
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2017	2016
(figures in NOK million)	Q4	Q1-Q4	Full year	Q4	Q1-Q4	Full year	Q4	Q1-Q4	Full year	Q4	Q1-Q4	Full year
Total operating revenue	33.2	101.3	71.1	78.7	196.8	43.4	-0.1	0.3	0.0	111.9	298.4	114.5
Total operating cost	55.1	144.9	87.2	82.5	203.9	52.3	17.7	66.7	30.3	155.4	415.6	169.8
Operating profit	-21.9	-43.6	-16.1	-3.8	-7.2	-8.9	-17.8	-66.4	-30.3	-43.5	-117.2	-55.3
Net Financial income (expence)	-1.1	-6.4	-0.4	0.7	0.4	0.8	-0.6	-1.3	-7.8	-1.1	-7.3	-7.3
Pre- tax profit (loss)	-23.0	-50.0	-16.5	-3.1	-6.7	-8.1	-18.5	-67.7	-38.1	-44.6	-124.4	-62.6
Total Assets	232.2	232.2	390.4	310.2	310.2	78.9	1183.3	1183.3	293.6	1725.7	1725.7	762.9
Total Liabilities	142.8	142.8	33.2	226.5	226.5	3.8	-53.0	-53.0	54.6	316.3	316.3	91.7

* Other/elimination includes Holding costs, excess values/goodwill with related depreciation not recognized in the business segments, and intercompany eliminations.

5. Goodwill

The table below shows the movements in goodwill during 2017

	Amount (NOKm)	
	2017	2016
	Full year	Full year
Goodwill as of 1 January	317.6	333.0
Acquisition of Proton Onsite in 2017	257.7	-
Write down Goodwill Hyme (liquidated)	-	(0.5)
Currency translation differences	16.4	(14.9)
Goodwill as of 30 September/31 December	591.7	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
Due to Nel ASA		12.6
Book value equity		38.3
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 (38%)		-129.3
Total allocated		210.9
Goodwill		257.7

The acquired goodwill is not tax deductible

7. Adoption of IFRS 15 Revenue from contracts with customers effective from 2018

IFRS 15 Revenue from contracts with customers, will be effective from 2018. The progress-based measurement of revenue over time is still expected to be the main method for construction and service contracts in Nel. Tender costs are expected to be mainly expensed as incurred under the new standard.

The current assessment is that the new standard for revenue recognition will not significantly change how the group recognizes revenue. For newbuild products in Nel Hydrogen Electrolyser, Nel expects that revenue will partly be recognized based on progress measurement and partly at point in time when control transfers to the customer. The same will apply to newbuild projects in Nel Hydrogen Fueling/Solutions.

Revenue recognition related to aftermarket projects in Nel Hydrogen Electrolyser is expected to change from a progress based measurement to point in time, when control transfers to the customer.The estimated effects on the Financial Statements 2017 from the implementation of IFRS 15 is deemed not to be significant.

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