Nel ASA

Q2 2017 interim report

Highlights of the quarter

- Nel ASA (Nel) reported revenues in the second quarter 2017 of NOK 39.1 million, up from NOK 13.5 million in Q2 2016
- Order book of approximately NOK 390 million
- Successfully closed transaction with Proton Energy Systems ("Proton OnSite/Proton") on 30 June, creating a world leading hydrogen electrolyser company with a global footprint
- Signed final agreement with Hexagon Composites ASA and PowerCell Sweden AB to establish a joint venture (JV) for development of integrated hydrogen projects
- Entered into exclusive industrial-scale power-to-gas framework agreement with H2V PRODUCT
- Entered Korean hydrogen market through joint venture agreement with Deokyang Co., Ltd.
- Received purchase order from Uno-X Hydrogen AS for equipment to build a second H2Station® in Bergen, Norway

Key figures

KEY FIGURES *(Unaudited figures in NOK million)*	**2017** Q2	**Adj.*** **2017** Q2	**2016** Q2	**2017** YTD	**2016** YTD	**2016** FY
Operating revenue	39.1	39.1	13.5	74.9	39.5	114.5
Total operating costs	63.9	63.9	29.9	115.2	66.0	169.8
EBITDA	-22.0	-12.5	-14.0	-35.0	-21.6	-44.9
EBIT	-24.7	-14.3	-16.5	-40.3	-26.6	-55.3
Pre-tax profit	-26.0	-16.6	-16.0	-43.4	-26.1	-62.6
Net profit	-26.7	-17.3	-15.6	-42.6	-25.3	-55.8
Net cash flow from operating activities	37.3	37.3	-24.2	23.2	-45.6	-34.2
Cash balance end of period	201.2	201.2	265.9	201.2	265.9	225.5

*Adjusted for Q2 acquisition cost of NOK 5.2 million and NOK 4.2 million in option related costs

Financial development

Nel reported revenues in the second quarter 2017 of NOK 39.1 million (Q2 2016:13.5 million), following an increased interest in hydrogen solutions as fueling stations, electrolysers and integrated systems.

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

At the end of the second quarter of 2017, Nel and Proton had a combined order book of approximately NOK 390 million.

Costs of goods sold increased to NOK 23.4 million (4.6), while total other operating costs totalled NOK 40.5 million (25.3). Salaries and social costs expenses amounted to NOK 20.6 million (11.9) and other operating expenses increased to NOK 17.2 million (10.9) following the significantly increased activities within business development and growth initiatives. Operating profit ended at NOK -24.7 million (-16.5).

As reported in the first quarter report, the operating earnings in the second quarter of 2017 was impacted by NOK 5.2 million in transaction costs related to the acquisition of Proton OnSite, resulting in an adjusted EBITDA of NOK -12.5 million. The 2017 no-cash costs for the stock option- and share incentive program are currently expected at an average of approximately NOK four million per quarter, but may increase going forward as the number of employees under the program could grow.

Reported pre-tax profit was NOK -26.0 million (-16.0), while the net loss for the quarter was NOK -25.7 million, compared to a loss of NOK -15.6 million in the same quarter last year.

Total assets were NOK 1 574.1 million at the end of the second quarter of 2017, compared to NOK 762.9 million at the end 2016, following the acquisition of Proton OnSite and balance sheet consolidation. Total equity was NOK 1 200.5 million. Thus, the equity ratio was 76 percent.

Net cash flow from operating activities in the second quarter 2017 was NOK 37.3 million, compared to NOK -24.2 million in the same quarter last year. Net cash flow from investing activities was NOK -198.5 million (-8.6), primarily related to the cash consideration in connection with the acquisition of Proton OnSite. Net cash flow from financing activities was NOK -5.9 million, compared to NOK 9.7 million in the corresponding quarter last year. Nel's cash balance at the end of the second quarter was NOK 201.2 million.

First half of 2017

Nel reported revenues in the first half of 2017 of NOK 74.9 million (1H 2016:39.5 million). Operating cost increased to NOK 115.2 million (66.0), resulting in an EBIT of NOK – 40.3 million (-26.6) and a net profit of NOK -43.4 (26.1).

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 finalised 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 will be consolidated in the Nel profit and loss statement from the third quarter of 2017, and will be reported under Nel Hydrogen Electrolyser.

Nel Hydrogen Electrolyser

Production and installation of electrolysers for hydrogen production

Nel Hydrogen Electrolyser is the world's largest producer of alkaline and PEM electrolysers with global reach. 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 introduction of FCEVs already taking place, Nel Hydrogen Electrolyser intends to supply the hydrogen fueling, energy storage and power-to-gas markets.

The 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 3500 electrolyser units in 80 countries across Europe, South America, Africa and Asia. The company has production facilities in Notodden, Norway, and in Wallingford, US. 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 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 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 (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 owners. 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 solid quarter with revenues of NOK 18.5 million, compared with NOK 4.0 million in the same quarter last year, following ongoing electrolyser project deployments. 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 long-lifetime tests during the fall of 2017.

30 June, the company closed the Proton Onsite transaction, creating the world's largest electrolyser company with a strong growth and value creation potential. Proton had revenues of USD 27.2 million in 2016 and is headquartered in Wallingford, Connecticut, with approximately 90 employees.

Proton OnSite fully complements Nel, both in terms of technology and market outreach, and the combined entity will be able to offer the full spectre of electrolysers in terms of capacity and technology. Proton OnSite and Nel is a strong strategic fit, with synergies related to sales and commercialisation, product portfolio, R&D and best practices across the combined company.

The purchase price corresponds to an enterprise value of USD 70 million and was settled by USD 20 million in cash, in addition to 147 659 456 new consideration shares of Nel issued based on an agreed share price of NOK 2.72. 50% of the consideration shares are subject to lock-up until the first anniversary of closing of the transaction, while the remaining consideration shares are subject to lock-up until the second anniversary of closing. Proton OnSite is incorporated in the Nel profit and loss from the third quarter of 2017.

Nel also announced a framework agreement with H2V PRODUCT, a subsidiary of Alain Samson owned SAMFI-INVEST Group, for the design, construction and maintenance of industrial-scale turnkey renewable hydrogen production plants. Nel will serve as a supplier to H2V PRODUCT, as a part of their major industrial power-to-gas program in France, which aims to reduce CO2 impact with H2V PRODUCT's green hydrogen plants to inject hydrogen as a substitute to natural gas into the natural gas pipelines.

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 will 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 for a total contract value of minimum around NOK 3 150 million.

The parties are expected to reach a final agreement on the delivery schedule during the second half of 2017. In order to comply with the contract, Nel would be required to expand its production capacity. Formal investment decision related to capacity expansions is expected to be made towards the end of 2017 and as soon as the initial, non-refundable, pre-payment has been received. 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 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

Nel Hydrogen Solutions received a purchase order from Uno-X Hydrogen AS (Uno-X Hydrogen) for equipment to build a second H2Station® in Bergen, Norway. The purchase order has a total value of approximately EUR 1 million, and the H2Station® is planned for installation in Bergen during 2017.

In April, Nel finalised the joint venture (JV) agreement with Hexagon Composites ASA and PowerCell Sweden AB to establish a Joint Venture for the development of integrated hydrogen projects.

The JV will have an initial focus on opportunities in the maritime and marine segments, as well as projects to leverage on renewable energy resources. The JV will be equally owned by Nel, Hexagon Composites ASA and PowerCell Sweden AB, and will create a one-stop-shop for customers wanting to utilise 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 partners are effectively integrated into complete and optimal solutions for the customer.

Nel also entered into an agreement with Deokyang Co., Ltd. (Deokyang), Koreas largest hydrogen supplier, to establish a joint venture ("Nel-Deokyang Ltd.") for the exclusive sales and marketing of Nel's H2Station® hydrogen fueling stations in Korea.

The Korean government is accelerating the process for establishing a national hydrogen infrastructure, with a target of 230 fueling stations by 2025. The combination of Deokyang's hydrogen competence and Nel's technology will create a strong offering for the upcoming roll-out of the hydrogen networks.

Korea is committed to building a national hydrogen infrastructure with 100 fueling stations by 2020 and 230 stations by 2025. Korean stations are fully financed by the local and national governments, with owner- and operator-ship undertaken by local cities and regions.

The JV will be equally owned by Nel and Deokyang for the exclusive sales and marketing of Nel's H2Station® hydrogen fueling stations in Korea. The JV will participate in public funding arrangements for hydrogen fueling stations already in the third quarter of this year, shipment of fueling stations are targeted to start during the second half of 2017. The JV partners has a common ambition to gain a significant market share in Korea.

Corporate developments

At the Annual general meeting 15 May 2017, Hanne Skaarberg Holen, chair of the Board, Mogens Filtenborg, Ole Enger, Beatriz Malo de Molina and Finn Jebsen were elected to the Board of Directors.

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.

Responsibility statement

We confirm to the best of our belief that the financial statements for the first half of 2017, which have been prepared in accordance with IAS 34 – Interim Reporting, give a true and fair view of the company's assets, liabilities, financial position and results of operation.

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. With acquisition of Proton OnSite, Nel will offer a complete range of electrolyser technology and will be a world leading electrolyser 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.

The company has a current order backlog of approximately NOK 390 million.

Nel ASA

- Significant contribution from all business areas going forward, incl. Proton
- Revenues in Q3'17 expected to be more than twice as high as seen in Q2'17

Nel Hydrogen Electrolyser

- All time high level of sales leads, both in traditional and new markets
- Positive EBITDA contribution from Proton

Nel Hydrogen Fueling

- Started production in new Herning facility early August, currently focusing on U.S. H2Station® modules for Shell

Nel Hydrogen Solutions

- Currently pursuing projects together with Proton in the U.S. and other locations
- Expect to see additional order from Shell
- Expect to see additional order for heavy duty transportation like bus, etc.
- JV with Hexagon and PowerCell will be operational, will work to develop sales pipeline further

Oslo, 23 August 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)*	Note	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	2016 Q1-Q4
Operating Income						
Sales income		37 975	11 772	70 625	33 595	98 446
Other operating income		1 174	1 697	4 226	5 884	16 032
Total operating revenue		**39 149**	**13 469**	**74 851**	**39 479**	**114 479**
Operating expenses						
Cost of goods sold		23 354	4 632	42 627	15 799	60 841
Total cost of goods sold		**23 354**	**4 632**	**42 627**	**15 799**	**60 841**
Operating costs						
Wages and social costs		20 638	11 932	38 839	25 911	60 266
Depreciation and amortisation		2 717	2 484	5 308	4 934	10 431
Other operating costs		17 176	10 902	28 404	19 386	38 253
Total other operating costs		**40 531**	**25 317**	**72 551**	**50 231**	**108 950**
Total operating costs		**63 885**	**29 949**	**115 178**	**66 029**	**169 790**
Operating profit (loss)		**-24 736**	**-16 480**	**-40 327**	**-26 550**	**-55 312**
Financial income		1 228	811	2 437	1 781	3 599
Financial expenses		3 136	306	3 975	710	1 759
Share of profit and loss associate and joint venture		-641	6	-1 579	-611	-9 165
Net financial income/expense		**-1 267**	**511**	**-3 117**	**460**	**-7 325**
Profit (loss) before taxes		**-26 003**	**-15 969**	**-43 444**	**-26 090**	**-62 637**
Tax costs		-332	-404	-848	-779	-6 808
NET PROFIT (LOSS)		**-25 671**	**-15 565**	**-42 596**	**-25 311**	**-55 829**
Items that may subsequently be reclassified to profit or loss						
Currency translation differences		677	-2 324	677	-8 491	-19 617
Other comprehensive income		**677**	**-2 324**	**677**	**-8 491**	**-19 617**
TOTAL COMPREHENSIVE INCOME		**-24 994**	**-17 889**	**-41 919**	**-33 802**	**-75 446**
Basic EPS *(figures in NOK)*	3	**-0,0367**	**-0,0229**	**-0,0616**	**-0,0372**	**-0,0818**
Diluted EPS *(figures in NOK)*	3	**-0,0367**	**-0,0229**	**-0,0616**	**-0,0372**	**-0,0818**

Statement of financial position (unaudited)

BALANCE SHEET	Note	2017	2016
(condensed figures in NOK thousands)		Q2	Year end
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Technology		299 334	57 854
Customer contracts		20 516	
Customer relationship		83 925	27 861
Goodwill		650 026	317 629
Total intangible assets		**1 053 801**	**403 344**
Tangible fixed assets			
Land, buildings and real estate		63 205	44 778
Fixtures and fittings, tools, etc.		13 978	1 025
Total tangible fixed assets		**77 183**	**45 804**
Financial fixed assets			
Investments in associates		12 021	13 708
Other financial fixed assets		14 331	
Total financial fixed assets		**26 352**	**13 708**
Total non- current assets		**1 157 336**	**462 855**
CURRENT ASSETS			
Inventories		123 577	36 266
Trade receivables		75 172	34 974
Other receivables		16 811	3 312
Financial current assets		0	0
Cash and cash equivalents		201 177	225 467
Total current assets		**416 737**	**300 019**
TOTAL ASSETS		**1 574 074**	**762 875**
EQUITY AND LIABILITIES			
Equity			
Share capital		150 235	136 736
Share premium/Other paid equity		785 064	619 329
Treasury shares		-1 377	-1 377
Retained earnings		266 554	-83 468
Total equity		**1 200 476**	**671 219**
NON-CURRENT LIABILITIES			
Deferred tax liability		131 045	13 552
Total provisions		**131 045**	**13 552**
Other long term liabilities			
Other long term liabilities		26 149	12 550
Total other long term liabilities		**26 149**	**12 550**
CURRENT LIABILITIES			
Liabilities			
Accounts payable		48 355	16 790
Tax payable		0	370
Social security, VAT etc. payable		3 046	1 347
Dividends payable		0	0
Other current liabilities		165 005	47 046
Total current liabilities		**216 406**	**65 553**
TOTAL EQUITY AND LIABILITIES		**1 574 074**	**762 875**

Statement of changes in equity (unaudited)

Statement of changes in Equity and Number of Shares:								
(figures in NOK/numbers)	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					0	0		
Currency translation differences Q1 2016				-15 913		-15 913		
As at 31st March 2016	**136 120**	**601 210**	**1 200**	**38 405**	**-62 340**	**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					0	0		
Currency translation differences Q2 2016				-17 889		-17 889		
As at 30 June 2016	**136 736**	**608 213**	**1 200**	**20 516**	**-62 340**	**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**	**8 021**	**-74 369**	**679 801**	**683 678 252**	**683 678 252**
Net profit Q4 2016					-43 799	-43 799		
Options and share program			9 916			9 916		
Treasury shares					-1 377	-1 377		
Currency translation differences Q4 2016				26 679		26 679		
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 6.3.16	12 996	158 107				171 103	64 980 000	748 658 252
Net profit Q1 2017					17 441	17 441		
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**	**-102 106**	**864 327**	**748 658 252**	**748 658 252**
Increase of capital 02.06.17	503					503	2 517 967	751 176 219
Net profit Q2 2017					-25 671	-25 671		
Options and share program			3 744			3 744		
Added equity via acquisitions					357 572	357 572		
As at 30 June 2017	**150 235**	**766 320**	**18 941**	**35 378**	**229 799**	**1 200 476**	**751 176 219**	**751 176 219**

Statement of cash flow (unaudited)

CASH FLOW STATEMENT	Note	2017	2016	2017	2016	2016
(condensed figures in NOK thousands)		Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
Cash flow from operating activities						
Pre-tax profit (loss)		-26 003	-15 969	-43 440	-26 090	-62 637
Interest costs, reversed		87	-649	178	-1 348	629
Interests income, reversed		-858	189	-1 705	343	-2 399
Depreciation and amortisation		2 717	2 484	5 308	4 934	9 732
Impairment of tangible and intangible assets				0		467
Impairment of fixed assets				0		0
Change in provisions		315 542	-801	317 342	-554	-1 377
Change in inventories		-81 112	-3 716	-87 311	-8 973	-21 243
Change in trade receivables		-36 703	-2 917	-40 385	16 605	5 387
Change in trade payables		-28 791	-1 795	-25 945	-11 963	30
Change in other short-term receivables and other short-term liabilities		-107 622	-1 061	-100 809	-18 509	37 244
Net cash flow from operating activities		*37 257*	*-24 235*	*23 233*	*-45 556*	*-34 167*
				0		
Cash flow from investment activities				0		
Proceeds from sale of fixed assets		0	0	0		0
Acquisitions of fixed assets		-29 324	-1,795	-32 149	-2 347	-44 506
Acquisition of intangible assets		0	-6 643	-8 582	-8 969	0
Disposal of fixed assets				0		37
Payment of loan given toassociated company/JV				0		
Acquisitions of associated companies				0		-15 737
Acquisitions of subsidiaries / financial fixed assets		-169 220	-200	-169 220	-200	
Proceeds from sale of subsidiaries			15	0	15	
Net cash flow from investing activities		*-198 544*	*-8 623*	*-209 951*	*-11 501*	*-60 207*
				0		
Cash flow from financing activities				0		
Interest paid		-87	649	-178	1 348	-629
Interest received		858	-189	1 705	-343	2 399
Gross cash flow from share issues		1,986	7 619	178 733	7 619	7 118
Transaction costs connected to share issues		-8 140		-13 782	-500	
Proceeds from new loan		0	1 955	0	2 368	
Payment of long term liabilities		-502	-309	-4 050	-619	-2 090
Net cash flow from financing activities		*-5 885*	*9 725*	*162,428*	*9 873*	*6 798*
				0		
Net change in cash and cash equivalents		*-167 172*	*-23 134*	*-24 290*	*-47 184*	*-87 575*
				0		
Cash and cash equivalents		**201 177**	**265 858**	**201 177**	**265 858**	**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.

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, Nel Hydrogen Fueling/Solutions stations and Nel Hydrogen Electrolysis solutions. 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 electrolyser technology for use in various industries.

	Nel Hydrogen Fueling/Solutions			Hydrogen Electrolysis			Other/elimination			Total		
	2017	2016	2016	2017	2016	2016	2017	2016	2016	2017	2016	2016
(figures in NOK million)	Q2	Q2	Full year	Q2	Q2	Full year	Q2	Q2	Full year	Q2	Q2	Full year
Total operating revenue	20,5	9,6	71,1	18,5	4,0	44,3	0,1	-1,8	-0,9	39,1	11,8	114,5
Total operating cost	29,2	3,0	87,2	18,0	8,5	52,3	16,7	18,4	30,3	63,9	29,9	169,8
Operating profit	-8,7	-4,3	-16,1	0,5	-4,5	-8,0	-16,5	-7,7	-31,2	-24,7	-16,5	-55,3
Net Financial income (expence)	-2,1	-0,1	-0,4	-0,3	-0,1	-0,7	1,1	0,7	-6,2	-1,3	0,5	-7,3
Pre- tax profit (loss)	-10,8	-4,3	-16,5	0,2	-4,6	-8,7	-15,4	-7,1	-37,4	-26,0	-16,0	-62,6
Total Assets	167,6	81,8	131,1	85,2	56,8	108,9	1321,3	594,5	531,1	1574,1	733,1	771,1
Total Liabilities	86,9	28,0	40,6	58,9	46,8	63,6	96,8	-25,8	46,4	242,6	49,0	150,6

*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 Q2 2017

	Amount (NOKm)	
	2017	2016
	Q2	Full year
Goodwill as of 31 March	317,6	333,0
Other acquisitions in 2017	332,4	
Write down Goodwill Hyme (under liquidation)		(0,5)
Currency translation differences	-	(14,9)
Goodwill as of 30 June/31 December	650,0	317,6

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