Nel ASA

Interim report

Highlights of the quarter

- Nel ASA (Nel) reported revenues in the third quarter of NOK 24.4 million, sequentially up from NOK 13.5 million in the second quarter, with a solid backlog for the fourth quarter of 2016.
- Operating earnings impacted by the planned high activity level within business development in new markets as California, investments, and preparation for production ramp-up.
- The cash balance at the end of the quarter was NOK 223.6 million.
- Submitted tender for California GFO, both stand alone and through partners as a technology provider.
- New Herning facility on budget (NOK 85 million).
- Launched two new containerised, turn-key electrolysers.
- Awarded contract of two CAR-200 stations to undisclosed European customer.
- Awarded electrolyser contract by Marsa in Turkey.
- Awarded contract in Latvia for delivery of new dual hydrogen fueling solution for cars and buses.

Subsequent events

- Awarded NOK 19.8 million grant for deployment of hydrogen product and two fueling stations in Bergen.
- Awarded EUR 1.1 million grant for H2Station® technology development.
- Awarded contract with ASKO for hydrogen production and fueling solution in Trondheim.
- Letter of Intent to establish a joint-venture (JV) with a leading global solar company to build and operate the first solar-driven hydrogen production plant in the US.

Key figures

KEY FIGURES *(Unaudited figures in NOK million)*	**2016** Q3	**2015** Q3	**2016** Q1-Q3	**2015** Q1-Q3	**2015** Full year
Operating revenue	24.4	30.8	63.8	64.4	99.9
Total operating costs	37.1	32.7	103.2	77.2	118.2
EBITDA	(10.2)	2.3	(31.8)	(1.5)	(2.7)
EBIT	(12.8)	(1.9)	(39.3)	(12.9)	(18.3)
Pre-tax profit	(12.4)	(1.5)	(38.5)	(11.7)	(27.8)
Net profit	(12.0)	(0.7)	(37.3)	(9.0)	(21.7)
Net cash flow from operating activities	(10.5)	(11.1)	(58.9)	(21.0)	(37.8)
Cash balance end of period	223.6	224.9	223.6	224.9	313.0

Financial development

Nel reported revenues in the third quarter of NOK 24.4 million (30.8), sequentially up from NOK 13.5 million in the second quarter, with a solid backlog for the fourth quarter of 2016. The operating earnings were impacted by the planned high activity level within business development in new markets as California, investments, and preparation for production ramp-up.

The underlying project development pipeline is strong, and the company continues to experience a high activity level for its prospects and ongoing tender processes.

EBIT was negative NOK 12.8 million (-1.9), including NOK 2.6 million in depreciation of physical and intangible assets. Net loss for the quarter was NOK 12.0 million, compared to a loss of NOK 0.7 million in the same quarter last year.

Total assets were NOK 761.2 million at the end of the third quarter 2016, compared to NOK 714.1 million at the end of the third quarter last in 2015. Total equity was NOK 679.8 million. Thus, the equity ratio was 89 percent.

Net cash flow from operating activities in the third quarter 2016 was negative NOK 10.5 million, compared to negative NOK 11.1 million in the same quarter last year. Net cash flow from investment activities was negative NOK 31.8 million (-8.1). Net cash flow from financing activities was NOK 0.0 million, compared to NOK 91.8 million in the corresponding quarter last year. Nel's cash balance at the end of the third quarter was NOK 223.6 million.

Strategy

Nel is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The company serves industries, energy and gas companies with leading hydrogen technology. Since its foundation in 1927, Nel has a proud history of development and continual improvement of hydrogen plants. Our hydrogen solutions cover the entire value chain from hydrogen production technologies to manufacturing of hydrogen fueling stations, providing all fuel cell electric vehicles 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 of electrolysers for hydrogen production

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

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

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

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

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

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

Nel Hydrogen Electrolyser’s water electrolysis and atmospheric pressure technologies are considered world-class. The company’s long experience in the electrolysis field and sustained research and development efforts over the past 89 years give it a unique technological platform.

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

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

The new configurations – Nel C-150 and Nel C-300 – are containerised and will be offered in addition to the existing industrial NEL A-range of electrolysers. The new products will have an output capacity of either 150 and 300 Nm3/hr respectively, which is equivalent to about 330 or 660 Kg/day. The standard gas output pressure will be 200 bar, which makes these products ideal for producing renewable hydrogen integrated with hydrogen fueling stations for cars, busses or other utility vehicles.

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

Nel Hydrogen Fueling

Production of hydrogen fueling stations

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

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 Fuel Cell Electrical Vehicles from leading car manufacturers. Nel has the technology and experience to efficiently build several renewable hydrogen fueling networks.
- **Renewable hydrogen.** Nel offers a complete turnkey hydrogen production and fueling solution. Starting from 100kg/day and larger, Nel provide the solution that suits your needs. H2Station® combining fueling of cars, busses and trucks, will help grow business and grant fast return on investment for station owner. Nel provides turn-key installation, offering multiple operation and maintenance services for our 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 your customised Nel solution

Nel Hydrogen Solutions aims to be the preferred business partner for the hydrogen industry in California, Japan 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 fuel cell electric vehicles to operate between all the major cities in Norway within 2020.

Developments

Nel Hydrogen Electrolyser

In August 2016, Nel Hydrogen Electrolyser announced the new containerised NEL C-range electrolysers, thereby offering a low-cost, turn-key solution, representing the world's smallest footprint for containerized, high capacity electrolysers.

The existing NEL A-range are already recognised as the benchmark in energy efficiency. The containerised configuration brings a new level of innovative turn-key design, combined with unparalleled efficiency, practical design that enables quick and simple installation and the most compact solution offered in the market today.

The new configurations, Nel C-150 and Nel C-300, will have an output capacity of either 150 and 300 Nm3/hr respectively, which is equivalent to about 330 or 660 Kg/day. With these new products, the customer only need to push a button after connecting electricity and water. The new low-cost, turn-key solutions offer everything of the existing Nel A technology, with its proven reliability and robustness, but with added flexibility and ease-of-use.

The company was also awarded a contract by Marsa, a world-leading producer of margarine and liquid oils, for the delivery of a hydrogen electrolyser plant with supplementary equipment. The agreement has a total value of around EUR 1 million.

The project represents an extension of the existing hydrogen production capacity operated by Marsa and the Ülker Group.

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

Nel Hydrogen Fueling

During the third quarter of 2016, Nel Hydrogen Fueling commenced production of the H2Station® CAR-200, a hydrogen fueling station that triples the fueling capacity, while reducing the footprint to one third of the current generation.

The CAR-200 builds on the operational legacy of the former CAR-100, which is used in multiple countries across Europe and has a documented high performance with better than 99 percent availability.

The new CAR-200 dispenser can be located up to 50 meters away, which enables flexible integration of hydrogen alongside other fueling products, even at very compact sites. The new fueling station can be supplied by centralised hydrogen production delivered by truck, as well

as onsite production of hydrogen, enabling Nel to deliver a complete solution to the customer.

The new Herning facility continues to be developed on budget. The investment activities expected in connection with take over and plant rebuild, amounts to NOK 35-40 million in the second half of 2016. The total investments are estimated at NOK 85 million.

The factory will have an annual capacity to manufacture hydrogen fueling stations sufficient to support 200 000 new Fuel Cell Electric Vehicles (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.

In October, after the closing of the quarter, a Nel Hydrogen Refueling company was awarded two R&D grants totalling EUR 1.1 million from the Danish EUDP program for the continued H2Station® hydrogen technology development.

Nel Hydrogen Solutions

The third quarter of 2016 was a busy period for Nel Hydrogen solution, with a record high number of sales initiatives and the important submission of the grants tender in California, were the Energy Commission has doubled the Grant Funding Opportunity (GFO) for 2016. The target is to reach 100 hydrogen fueling stations by 2020, of which half have already received funding. The 2016 GFO award is expected to cover 20 stations, to be developed in 2017.

To ensure a successful market entry in California, Nel has both a direct and indirect market penetration strategy:

- Direct: established U.S. subsidiary to apply directly for funding, have “feet on the ground” and intend to attract additional investors as visibility improves

- Indirect: offer own leading H2Station® solutions to other GFO applicants, have received confirmation that several operators included Nel equipment in their proposal

The allocation for this GFO award is expected during the fourth quarter of 2016.

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

During the third quarter, the company was awarded a contract by SIA Hydrogenis, a leading hydrogen project developer in Latvia, for the delivery of the new dual capability H2Station®, which offers a combined hydrogen fueling solution for cars and buses in Riga.

Latvia represents an exciting market for Nel, and this is also the first customer where Nel provide a combined fueling solution for both cars and buses. This new dual vehicle fueling capability is an additional feature for our H2Station® product, maximizing the infrastructure utilization, volume throughput and return on investment, in one attractive solution.

The H2Station® bus fueling capability is offered as an add-on feature to fueling solutions for cars, or as a separate solution dedicated for fleets of buses, enabling simultaneous dual-pressure refueling at 700bar for cars and 350bar for buses.

The H2Station® contract has a total value or EUR 1.5 million and is planned for delivery in middle of 2017.

After the closing of the quarter, Uno-X Hydrogen AS, a Nel ASA (Nel) joint venture, was awarded a grant of NOK 19.8 million from the Norwegian public enterprise Enova SF, for an expansion of the Norwegian hydrogen network with one hydrogen production facility and two hydrogen fueling stations in Bergen.

The grant 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 a positive signal from the government in recognising hydrogen as an important zero-emission fuel for the Norwegian transport sector.

The awarded funds will be allocated towards establishing two centrally located hydrogen fueling stations at Danmarksplass and Åsane, two of the busiest areas in the Bergen region, as well as an electrolyser for the production of renewable hydrogen for the two stations.

Nel Hydrogen Solutions was also awarded a contract by ASKO, Norway's largest grocery wholesaler, for the delivery of a new solar-powered hydrogen production facility and fueling station solution in Trondheim, enabling ASKO forklifts and delivery trucks to be fueled with locally produced renewable hydrogen.

The solar-powered facility will enable ASKO to fuel their forklifts and delivery trucks with locally produced hydrogen, and offers a zero-emission solution for their trucks covering short and long distances.

The dedicated solar facility will produce energy for Nel's turn-key C-150 containerized electrolyser with the total production capacity of more than 300 kg of hydrogen per day. The H2Station® will be installed with three separate dispensers, two dispensers at 350 bar dedicated for forklifts and trucks, and one dispenser at 700 bar dedicated to cars. The installation will take place during the second half of 2017 at ASKO's facility at Tiller in Trondheim.

The hydrogen production plant is expected to be operational in the autumn of 2017 together with the H2Station® and combined forklift fueling solution. The delivery truck dispenser will be in place before the first hydrogen-fueled ASKO trucks from Scania are expected to be deployed during the autumn of 2018.

Nel also announced a Letter of Intent (LoI) to establish a joint-venture (JV) with a leading global solar company. The JV will build and operate the first solar-driven hydrogen production plant in the US. This project is the first step towards large-scale commercial renewable hydrogen production to meet the expected demand for renewable hydrogen in California and the US.

The agreement is expected to be finalised before the end of 2016 and the JV aims to begin production and delivery of renewable hydrogen during the second half of 2017. The parties are already exploring additional sites in California for renewable hydrogen production at a larger scale.

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 2015.

Other

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

Outlook

Nel is at the forefront of the hydrogen industry as a pure play company with market leading technology, a strong management team, a solid balance sheet and is positioned to play a leading role in a fast moving industry.

The company has the following upcoming news flow and outlook for its segments:

Nel Hydrogen Electrolyser

- All time high level of sales leads, both in traditional and new markets
- Strong interest in new containerised turn-key solution

Nel Hydrogen Fueling

- Ramp-up of CAR-200 production throughout Q4'16 and into 2017

- Currently installing the first new generation H2Station® in Norway, opening 22nd of November at Kjørbo
- New Herning facility on budget

Nel Hydrogen Solutions

- Well-positioned for the Californian market, both related to fueling stations and renewable hydrogen production
- Delivering multi-purpose fueling station to ASKO and Latvia (dual- and triple-fueling solution)
- Minister of Oil and Energy confirms program for roll-out of hydrogen infrastructure in Norway from 2017

Oslo, 15 November 2016

The Board of Directors

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

Condensed interim financial statements

Statement of comprehensive income (unaudited)

PROFIT & LOSS *(condensed figures in NOK thousands)*	2016 Q3	2015 Q3	2016 Q1-Q3	2015 Q1-Q3	2015 Q1-Q4
Operating Income					
Sales income	22 899	26 748	56 494	60 318	88 539
Other operating income	1 471	4 057	7 355	4 045	11 386
Total operating revenue	**24 371**	**30 805**	**63 850**	**64 364**	**99 925**
Operating expenses					
Cost of goods sold	15 186	12 690	30 985	26 656	42 116
Total cost of goods sold	**15 186**	**12 690**	**30 985**	**26 656**	**42 116**
Operating costs					
Wages and social costs	11 265	8 349	37 175	17 312	29 891
Depreciation physical fixed assets	874	127	2 345	415	2 818
Depreciation intangible assets	1 723	4 057	5 185	10 957	12 694
Write-down physical fixed assets	0		0		52
Other operating costs	8 075	7 441	27 461	21 899	30 613
Total other operating costs	**21 936**	**19 973**	**72 166**	**50 583**	**76 068**
Total operating costs	**37 122**	**32 664**	**103 151**	**77 238**	**118 184**
Operating profit (loss)	**-12 752**	**-1 859**	**-39 302**	**-12 875**	**-18 259**
Financial income	720	700	2 501	2 274	5 185
Financial expenses	389	358	1 100	1 059	1 420
Share of profit and loss associate and joint venture		3		-608	-13 286
Net financial income/expense	**334**	**342**	**793**	**1 215**	**-9 521**
Profit (loss) before taxes	**-12 418**	**-1 517**	**-38 508**	**-11 660**	**-27 780**
Tax costs	-388	-796	-1 168	-2 659	-6 049
NET PROFIT (LOSS)	**-12 030**	**-720**	**-37 341**	**-9 000**	**-21 731**
Items that may subsequently be reclassified to profit or loss					
Currency translation differences	-12 495	3 919	-20 986	3 919	20 220
Other comprehensive income	**-12 495**	**3 919**	**-20 986**	**3 919**	**20 220**
TOTAL COMPREHENSIVE INCOME	**-24 524**	**3 198**	**-58 327**	**-5 081**	**-1 511**

Statement of financial position (unaudited)

BALANCE SHEET *(condensed figures in NOK thousands)*	Note	2016 Q3	2015 Q3	2015 Year end
ASSETS				
Intangible assets				
Technology		54 503	47 153	46 645
Customer relationship		28 722	32 439	31 569
Goodwill		314 709	324 504	332 958
Total intangible assets		**397 933**	**404 095**	**411 172**
Land, buildings and real estate				
Land, buildings and real estate		43 263	15 575	15 829
Total land, buildings and real estate		**43 263**	**15 575**	**15 829**
Other fixed assets				
Fixtures and fittings, tools, etc.		977	986	700
Total other fixed assets		**977**	**986**	**700**
Financial fixed assets				
Financial fixed assets		6 451	8 155	7 297
Total financial fixed assets		**6 451**	**8 155**	**7 297**
Total fixed assets		**448 623**	**428 810**	**434 998**
Current assets				
Inventories		31 319	13 214	15 023
Trade receivables		39 589	30 593	40 361
Other receivables		16 547	14 531	10 717
Financial current assets		1 507	2 068	1 507
Cash and cash equivalents		223 638	224 858	313 042
Total current assets		**312 601**	**285 264**	**380 650**
TOTAL ASSETS		**761 224**	**714 074**	**815 649**
EQUITY AND LIABILITIES				
Equity				
Share capital		136 736	130 120	136 120
Share premium/Other paid equity		609 413	503 857	602 910
Retained earnings		-66 347	-12 478	-8 022
Total equity		**679 801**	**621 499**	**731 008**
Provisions				
Deferred tax liability		19 294	23 623	21 027
Total provisions		**19 294**	**23 623**	**21 027**
Other long term liabilities				
Other long term liabilities		15 381	18 960	14 641
Total other long term liabilities		**15 381**	**18 960**	**14 641**
Liabilities				
Accounts payable		6 039	9 682	16 760
Tax payable		365	1 347	375
Social security, VAT etc. payable		1 166	2 215	3 185
Dividends payable		0	0	0
Other current liabilities		39 177	36 748	28 652
Total current liabilities		**46 747**	**49 992**	**48 972**
TOTAL EQUITY AND LIABILITIES		**761 224**	**714 074**	**815 649**

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
As at 1st January 2014	**1 632**	**45 016**	**-310**		**-37 662**	**8 675**
Allocation of comprehensive loss		-37 972	310		37 662	0
Shares owned by company					-2 085	-2 085
Transaction cost		-5 342			0	-5 341
Increase of capital 15.4.14	20 000	30 000				50 000
Increase of capital 20.10.14	35 385	79 615				115 000
Increase of capital 13.11.14	10 769	24 231				35 000
Consideration					1 200	1 200
Comprehensive income 1.1.-31.12.2014					-6 511	-6 511
As at 31th December 2014	**67 786**	**135 548**	**0**		**-7 396**	**195 938**
						0
Transaction cost		-3 220				-3 220
Increase of capital 12.01.mandag	10 000	55 000				65 000
Increase of capital 02.02.mandag	2 000	11 000				13 000
Comprehensive income 1.1.-31.3.2015					-639	-639
As at 31st March 2015	**79 786**	**198 328**	**0**		**-8 035**	**270 078**
Increase of capital 12.06.fredag	10 260	58 997				69 258
Increase of capital 26.06.fredag	29 630	170 370				200 000
Transaction costs rel. To Increase of capital Q2		-4 321				-4 321
Comprehensive income Q2 2015					-7 641	-7 641
As at 30th June 2015	**119 676**	**423 374**	**0**		**-15 676**	**527 374**
Increase of capital 14.7.2015	4 444	25 556				30 000
Increase of capital 19.8.2015	6 000	61 500				67 500
Transaction costs rel. To Increase of capital Q3		-6 573				-6 573
Net profit Q3 2015					-720	-720
Currency translation differences Q3 2015				3 918		3 918
As at 30th September 2015	**130 120**	**503 857**	**0**	**3 918**	**-16 396**	**621 499**
Increase of capital 17 December 2015	6 000	105 000				111 000
Transaction costs rel. To Increase of capital Q4		-4 457				-4 457
Shares owned by company		-2 085			2 085	0
Consideration			1 200		-1 200	0
Gain sale shares owned by company		-605				-605
Net profit Q4 2015					-12 730	-12 730
Currency translation differences Q4 2015				16 301		16 301
As at 31st December 2015	**136 120**	**601 710**	**1 200**	**20 220**	**-28 241**	**731 008**
Transaction costs rel. Increase in capital Q4		-500				-500
Net profit Q1 2016					-9 746	-9 746
Currency translation differences Q1 2016				-6 167		-6 167
As at 31st March 2016	**136 120**	**601 210**	**1 200**	**14 052**	**-37 987**	**714 595**
Increase of capital 16.6.16	616	7 003				7 619
Net profit Q2 2016					-15 565	-15 565
Currency translation differences Q2 2016				-2 324		-2 324
As at 30 June 2016	**136 736**	**608 213**	**1 200**	**11 728**	**-53 552**	**704 325**
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**	**-766**	**-65 582**	**679 801**

Statement of cash flow (unaudited)

CASH FLOW STATEMENT	Note	2016	2015	2016	2015	2015
(condensed figures in NOK thousands)		Q3	Q3	Q1-Q3	Q1-Q3	Q1-Q4
Cash flow from operating activities						
Pre-tax profit (loss)		-12 418	-1 517	-38 508	-11 660	-27 780
Interest costs, reversed		-487		-1 835		-503
Interests income, reversed		145		488		-2 303
Ordinary depreciation		2 597	4 184	7 530	11 372	15 512
Impairment of fixed assets		0	0	0		52
Change in provisions		361	1 986	-2 969	611	-1 168
Change in inventories		-7 323	4 199	-16 297	417	-1 392
Change in trade receivables		-15 833	-11 586	772	-11 204	-20 972
Change in trade payables		1 242	-13 053	-10 721	-1 530	5 547
Change in other short-term receivables and other short-term liabilities		21 185	4 736	2 676	-8 982	-4 803
Net cash flow from operating activities		*-10 532*	*-11 051*	*-58 864*	*-20 975*	*-37 809*
Cash flow from investment activities						
Proceeds from sale of fixed assets		0	0	0		0
Acquisitions of fixed assets		-28 809	-107	-30 604	-465	-581
Acquisition of intangible assets		-2 958	0	-9 601		0
Acquisitions of subsidiaries / financial fixed assets		0	-7 998	-200	-83 182	-83 182
Proceeds from sale of subsidiaries		0		15		
Net cash flow from investing activities		*-31 767*	*-8 105*	*-40 389*	*-83 647*	*-83 763*
Cash flow from financing activities						
Interest paid		487		1 835		472
Interest received		-145		-488		2 303
Gross cash flow from share issues			90 927	7 619	230 643	355 758
Transaction costs connected to share issues				-500		-18 571
Proceeds from new loan		356	1118	2 311	1118	1 118
Payment of long term liabilities		-619	-260	-928	-779	-4 962
Net cash flow from financing activities		*79*	*91 785*	*9 849*	*230 983*	*336 118*
Net change in cash and cash equivalents		*-42 220*	*72 630*	*-89 404*	*126 360*	*214 546*
Cash and cash equivalents		**223 638**	**224 858**	**223 638**	**224 858**	**313 043**

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 2015 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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:

In 2016 the group has started production of the 0-series of the CAR-200 fueling station. Based on the nature of the agreements with the customers, NEL has assessed that these

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, Hydrogen fueling stations and 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, the group offers hydrogen plants based on water electrolysis technology for use in various industries.

	Hydrogen Fueling stations			Hydrogen Electrolysis solutions			Other/ Elimination			Total		
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2016	2015
(figures in NOK million)	Q3	Q1-Q3	Full year	Q3	Q1-Q3	Full year	Q3	Q1-Q3	Full year	Q3	Q1-Q3	Full year
Total operating revenue	15,3	43,7	41,0	9,0	20,9	58,9	0,0	-0,7	0,0	24,4	63,8	99,9
Total operating cost	19,6	53,1	35,2	11,3	31,3	58,3	6,2	18,7	24,7	37,1	103,2	118,2
Operating profit	-4,3	-9,4	5,9	-2,3	-10,5	0,6	-6,2	-19,4	-24,7	-12,8	-39,3	-18,2
Net Financial income (expence)	0,0	-0,6	-11,3	-0,2	-0,5	0,2	0,6	1,9	1,6	0,3	0,8	-9,5
Pre- tax profit (loss)	-4,3	-10,0	-5,4	-2,5	-11,0	0,8	-5,6	-17,5	-23,1	-12,4	-38,5	-27,7
Total Assets	412,4	412,4	350,8	148,6	148,6	139,3	200,2	200,2	325,5	761,2	761,2	815,6
Total Liabilities	42,5	42,5	39,2	24,6	24,6	25,2	14,4	14,4	20,2	81,4	81,4	84,6

*NEL Hydrogen A/S (formerly H2 Logic A/S) was acquired by NEL ASA at the end of Q2 2015. Measured from the transaction date total profit related to NEL Hydrogen A/S included in the consolidated statement of comprehensive income in the first and second quarters 2015 amounts to zero.

5. Goodwill

The table below shows the movements in goodwill during Q3 2016

	Amount (NOKm)	
	2016	2015
	Q3	Full year
Goodwill as of 1 January	333,0	60,8
Acquisition of H2 Logic 2015		256,5
Other acquisitions in 2015		0,6
Currency translation differences	(18,3)	15,1
Goodwill as of 30 September/31 December	314,7	333,0

a. Related party transaction

Nel ASA has paid NOK 0.6 million in management fees to Ferncliff in the period.

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