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ANNUAL REPORT 2017

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Annual report 2017

Letter from the CEO

In the last annual report, I wrote that our team is traveling the world, meeting with current and potential partners, armed with the Nel story, our technology, and our solutions. Looking back on 2017, I'm pleased to see that the ambitions to accelerate market activities have succeeded. 2017 was a transitional year for Nel, as we became the largest electrolyzer company in the world through the acquisition of Proton OnSite. As a result of our efforts, we ended the year with an all-time high order backlog, and are now continuing to work on a number of additional opportunities for both the medium and longer term.

2017 started off in the best way possible with an agreement with Shell (in cooperation with Toyota and Honda) to roll out their Californian hydrogen fueling station network. The agreement is the largest single fueling station order ever, and through this agreement Nel will support the target of having 100 hydrogen fueling stations in California by 2020. In addition, we signed a number of other fueling station contracts both in the U.S. and in Europe. Later in the year, we entered into an exclusive partnership agreement with Nikola (Nikola Motor Company) for the development of mega-scale hydrogen fueling stations and for the potential construction of the world's largest hydrogen fueling network. The joint endeavor leverages Nel's scalable electrolyzers and aims to reduce the cost of renewable hydrogen to achieve price parity with fossil fuels. We look forward to working alongside Nikola on this exciting project.

The acquisition of Proton OnSite was a major catalyst for Nel's position as the leading hydrogen partner across the globe. With the PEM electrolyzer technology developed by Proton OnSite, Nel now offers the full spectrum of electrolyzers, both in terms of capacity and technology, with a strong foothold in the U.S. and other important markets. The Proton team continues to impress with their highly skilled and motivated organization. The integration between the two teams is nearly complete. However, we still see further potential within the area of common synergies.

On the commercial side, our combined team covers all relevant regions, and we have updated all marketing materials to showcase our complete product offering. We now offer the best electrolyzer technology within each category, whether it is alkaline or PEM. Our network of agents and distributors are being merged with the best from both sides, and we have also merged the teams working on technology development, having identified several areas that can benefit from sharing competence and technologies across the organizations. On supply chain and sourcing, we still have more work to do and expect to be able to capture efficiency benefits and cost reductions as our work continues.

Turning the page to 2018, we continue to focus on market development efforts, while increasingly moving into a mode of execution and scaling. Nel is evaluating several initiatives to strengthen the organization in areas such as project management, execution, contract development, supplier follow-up, as well as operational excellence. These initiatives will serve us well as we consider capacity expansions in different locations. Capacity expansions are needed to accommodate larger orders in the future, and will enable us to further reduce production cost. We are also working on concepts for fully automated, large-scale, production lines that would serve both these purposes. Cost reductions will ensure that we maintain an industry leading cost position, and enable us to offer renewable hydrogen projects that are fully competitive with fossil-fuel alternatives. This is to everyone's benefit.

Altogether, our efforts are taking us closer towards our vision of *Empowering generations with clean energy forever*, whereby our technology allows people and businesses to make everyday use of hydrogen, the most abundant element in the universe.

We thank all our stakeholders for their efforts and dedication during an eventful and important 2017.

Best regards,

Jon André Løkke
CEO

PIONEERING RENEWABLE HYDROGEN FOR 90 YEARS

1927	Building of the first small electrolyser installation at Norsk Hydro at Notodden, Norway. Testing for pure hydrogen for fertilizer production.
1929	World's largest installation of water electrolysers at Rjukan, Norway. Increasing over time to 3 plants and 440 electrolysers, exceeding 60,000 Nm^3/hour. Sourced by hydropower.
1953	Creation of a second large-scale hydropowered electrolyser plant for supplying hydrogen for ammonia production in Glomfjord, Norway
1974	Our renowned electrolyser technology made available for other companies and other industries
1988	The world's first electrolyser supplier to provide non-asbestos alkali electrolysers
2003	Nel opens the world's first publicly available hydrogen fueling station in Reykjavik, Iceland
2004	The world's first Power-to-Power demonstration project at the island of Utsira, Norway, enabling power to 10 households from stored hydrogen produced by excess wind power
2014	Nel becomes the first 100% dedicated hydrogen company listed on the Oslo Stock Exchange
2015	Nel acquires H2 Logic, adding world leading hydrogen fueling technology to the product portfolio
2016	Initiates construction of the world's largest manufacturing plant for hydrogen fueling stations, with a capacity of 300 units per year
2017	Nel acquires Proton OnSite, adding world leading PEM electrolysis technology to the product portfolio, becoming the world's largest electrolyser company

MORE THAN 90 YEARS OF HYDROGEN INNOVATION.
AND WE ARE JUST AT THE BEGINNING.

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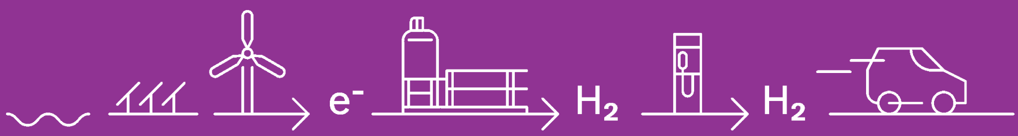
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Report from the Board of Directors

Highlights 2017

- Nel ASA (Nel) reported full-year 2017 revenues of NOK 298.4 million, up from 114.5 million in 2016, mainly following the acquisition of Proton Energy Systems Inc. (Proton OnSite) as per 30 June 2017
  - Growth in 2017 of approximately 15% on a like-for-like pro forma basis, including Proton OnSite
  - Underlying organic growth in 2017 of approximately 40%, excluding Proton OnSite

- Order backlog at the end of the year of approximately NOK 465 million

- Acquired Proton OnSite, creating the world's largest hydrogen electrolyzer company with a global footprint

- Entered into exclusive partnership with Nikola Motor Company ("Nikola") for development of mega-scale hydrogen fueling stations for a hydrogen fueling network

- Awarded contracts for multiple hydrogen fueling stations in California by Royal Dutch Shell Plc with a value of NOK 190 million

- Completed successful private and subsequent placements:
  - November: NOK 25 million in gross proceeds at a price per share of NOK 2.50
  - September: NOK 220 million in gross proceeds at a price per share of NOK 2.50
  - February: NOK 176.7 million in gross proceeds at a price per share of NOK 2.72

- Nel's cash balance at the end of 2017 was NOK 295.0 million

- Evaluating significant expansions at the facility in Notodden to be able to deliver larger volumes and further reduce production costs

SUBSEQUENT EVENTS

- Received an additional purchase order of USD 5.5 million from Nikola, as part of the previously announced hydrogen stations

- Announced the decision to halt further work under the agreement with H2V PRODUCT ("H2V")

KEY FIGURES

KEY FIGURES* *(Amounts in NOK million)*	2017	2016	2015
Operating revenue	298.4	114.5	99.9
Total operating costs	415.6	169.8	118.2
EBITDA	-81.2	-44.9	-0.6
EBIT	-117.2	-55.3	-18.3
Pre-tax loss	-124.4	-62.6	-27.8
Net loss	-52.4	-55.8	-21.6
Net cash flow from operating activities	-113.0	-34.2	3.3
Cash balance end of period	295.0	225.5	313.0

* *The figures include Proton OnSite from the acquisition date, 30 June 2017*

Financial development

Nel reported revenues in 2017 of NOK 298.4 million (2016: 114.5 million), following the acquisition of Proton OnSite as of 30 June 2017, and an increased interest in hydrogen solutions like fueling stations, electrolyzers as well as integrated systems. The underlying organic revenue growth in 2017 was approximately 40%, excluding Proton OnSite.

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

Costs of goods sold increased to NOK 163.6 million (60.9). Wage- and social cost expenses amounted to NOK 130.0 million (60.3), and other operating costs increased to NOK 86.0 million (38.3). The increased cost level follows the integration of Proton OnSite, increased business development activities and considerable growth initiatives. The costs were also negatively impacted by non-recurring project costs related to the deployment of certain installations requiring extra resources to fulfill the company's quality standards.

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, contract development and supplier follow-up.

Depreciation increased to NOK 36.0 million (10.4). 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) tied to the acquisition of Proton OnSite.

Operating loss ended at NOK -117.2 million (-55.3). The 2017 non-cash costs for the stock option and share incentive program are included in wages and social costs.

Share of loss from associates and joint ventures of NOK 7.1 million (2.9) 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 loss was NOK -124.5 million (-62.6).

At the end of 2017, a new tax act was adopted in the U.S., reducing the corporate tax rate from 38% to 21%, as of January 1, 2018. This change in corporate tax rate represents a positive effect of NOK 53.2 million (out of total positive tax income of NOK 72.0 million) in 2017. The NOK 53.2 million tax income is a result of reduced 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 loss for 2017 was NOK -52.4 million, compared to a loss of NOK -55.8 million in 2016. The board of directors proposes that the total net loss in Nel ASA of NOK 32.7 million is covered by transfers from the share premium account.

FINANCIAL POSITION

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 follows the acquisition of Proton OnSite. Goodwill totaled NOK 591.7 million (317.6), as of 31 December 2017. The identified intangible assets include related customer relationships of NOK 78.3 million (27.9), customer contracts of NOK 9.6 million (0.0), and technology of NOK 338.5 million (57.9).

As of December 31, 2017, investments in land, buildings and other property amounted to NOK 79.7 million (44.8) while machinery, equipment, furniture and fittings amounted to NOK 16.5 million (1.0). Financial fixed assets amounted to NOK 27.0 million (13.7), bringing total fixed assets to NOK 1,141.4 million (462.9). The company had cash and cash equivalents of NOK 295.0 million (225.5), in addition to inventories and trade receivables of NOK 138.7 million (36.3) and 96.8 million (35.0), respectively. Total equity was NOK 1,409.4 million, giving an equity ratio of 82%.

Based on the company's growth strategy and ramp-up plan, the board has not proposed a dividend payment for 2017.

CASH FLOW

Net cash flow from operating activities in 2017 was NOK -113.0 million, compared to NOK -34.2 million in 2016, following an increased pre-tax loss and effects from working capital changes. Net cash flow from investing activities was NOK -219.3 million (-60.2), mainly related to the Proton OnSite acquisition, investments in the new facility in Herning and development costs throughout the divisions. Net cash flow from financing activities was NOK 401.8

million (6.8), primarily from proceeds from share issues carried out in 2017. The net proceeds from the share issues will be used for additional working capital in response to increased order volumes, improved positioning to benefit from markets with high activity and growth momentum, including large European power-to-gas projects and opportunities to take on attractive projects with strong industrial partners, build-up of the organization in connection with additional purchase orders, as well as for general corporate purposes.

Nel's cash balance at the end of 2017 was NOK 295.0 million (225.5).

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 continuous improvement of hydrogen plants. Our hydrogen solutions cover the 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, across the 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 (proton exchange membrane) electrolyzers with global reach. The company has its roots 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, been delivered all across the world, and set industry standards.

Traditionally, hydrogen has been used as an input factor 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 used in PV solar panels.

Hydrogen is now increasingly being utilized as an energy carrier, both to maximize the utilization of renewable energy, and as a sustainable, zero-emission fuel for the transport sector. Electrolysis is the key technology to produce large amounts of hydrogen from renewable electricity, and the ability to adapt to intermittent renewable energy sources, such as wind and solar is becoming increasingly important. Once electricity has been used to produce hydrogen, it can be utilized for a broad array of applications, some of which are entirely new, others dominated by fossil energy carriers, or fossil hydrogen today. These applications include zero-emission fuel for the transport sector, mixing hydrogen with natural gas to make the end-product greener, hydrogen as energy storage, biofuel, green ammonia, methanol, methane, CO2 free steel/titanium slag, and refineries. The process of converting renewable electricity to hydrogen, or the products mentioned above is referred to as "power-to-X", were X refers to the various applications mentioned above.

Hydrogen from electrolyzers today only accounts for around 1% 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 in the coming years. The growth is mainly driven by the decreasing cost of renewable energy, increased share of wind and solar in the energy systems, decreasing cost of electrolyzers, and an increasing focus on climate and air quality.

A step-change in the size of the power-to-X projects is now being initiated worldwide, as projects are moving from demonstration to commercial scale. This trend is welcomed by Nel Hydrogen Electrolyser, as it makes Nel's portfolio of large-scale electrolyzer products increasingly relevant.

Nel Hydrogen Electrolyser started commercial sales of electrolyzers in the 1970s and has sold more than 3,500 electrolyzer units in 80 countries all across the world. The company has production facilities in Notodden, Norway, and in Wallingford, Connecticut, USA. The company has a global reach through its in-house sales operation and network of agents across the globe.

In addition, the company is developing the RotoLyzer®, a pressurized, compact electrolyzer, which utilizes a unique rotating cell stack, providing full operational flexibility, while allowing for possibly lower production costs. The RotoLyzer® can open new market segments for Nel, through integration with renewable energy sources. The technology is patented and is currently under development and testing.

Nel is also working on a high pressure alkaline solution, with potential to improve both efficiency and reduce cost, which will be especially designed for a fully automated production line.

Through the acquisition of Proton OnSite, Nel now also exhibits the world's largest product portfolio of PEM products. In addition to the focus Nel has on further development of alkaline products, similar focus is on PEM products and technology. Several activities are ongoing to continue to improve competitiveness and extend the product range.

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 provide FCEVs (Fuel Cell Electric Vehicles) with the same fast fueling and long range as conventional vehicles today. Since its incorporation in 2003, Nel 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 is one of few global leaders on fast fueling for FCEVs. The H2Station® technology is in operation in several European countries, providing hydrogen fueling for FCEVs from major car manufacturers, as well as forklifts, buses and trucks.

Nel Hydrogen Fueling was among the first to achieve fast fueling of hydrogen in compliance with the international fueling standard required by major car manufacturers. In Denmark, Nel has delivered H2Station® technology for the entire Danish network of hydrogen fueling stations, operated in collaboration with leading oil-, energy- and gas companies. With H2Station® technology's long-proven track record of reliable operation, the ambition is to maintain the position as a preferred supplier for international infrastructure operators.

Nel has also continued the development of the broader H2Station® platform, with several accessories like heavy duty- and forklift dispensers, and a U.S. version of the car and bus fueling products. In addition, Nel is continually working on cooling and compression technologies for future products.

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:

Nel has the technology and experience to efficiently build entire renewable hydrogen fueling networks and offer complete turnkey solutions that meet the growing demand for hydrogen fueling networks. Utilizing our flexible and modular H2Station® concept enables return on investments for station owners offering fueling for cars, buses, forklifts or trucks. In addition to providing turnkey installations, Nel also offers operational and maintenance services for customers.

Nel Hydrogen Solutions aims to be a preferred business partner for leading hydrogen industry markets globally. Nel Hydrogen Solutions is also responsible for the deployment of equipment to the Nel joint venture Uno-X Hydrogen, which has a target of establishing a network of hydrogen fueling stations to enable FCEVs to operate between all the major cities in Norway by 2020.

Developments

NEL HYDROGEN ELECTROLYSER

Nel Hydrogen Electrolyser recorded revenues of NOK 196.8 million, up from NOK 43.4 million in 2016, mainly following the acquisition of Proton OnSite. The revenue growth of Nel Hydrogen Electrolyser in 2017 was 6% on a like-for-like pro forma basis, and the underlying organic growth in 2017 was about 30%, excluding Proton OnSite.

Proton OnSite Transaction:

On 30 June 2017, the company closed the Proton OnSite transaction, creating the world's largest electrolyzer company with a strong growth- and value creation potential. Having added world-leading PEM electrolyzer technology to the already existing portfolio of alkaline electrolyzers, the combined entity is able to offer the full spectrum of electrolyzers in terms of capacity and technology. Nel and Proton OnSite have also proven to be a strong strategic fit, with synergies related to sales and commercialization, product portfolio, R&D and market outreach. Proton OnSite has its main facility in Wallingford, Connecticut, with approximately 90 employees.

The purchase price corresponds to an enterprise value of USD 70 million and was settled by USD 20 million in cash, in addition to 146,138,713 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 the transaction's closing, while the remaining consideration shares are subject to lock-up until the second anniversary of closing.

Other developments:

In November 2017, Nel signed an exclusive agreement with Nikola for the development of a mega-scale hydrogen fueling stations network across the U.S. The network has the potential to become the world's largest, covering an initial 14 hydrogen fueling sites. Nel also received an initial PO for two 'demo-stations'. Installations are intended to start as early as in the second half of 2018. Following the agreement, Nel continues to evaluate expansions at the facility in Notodden to be able to deliver larger volumes and further reduce production costs.

Proton OnSite entered into several important contracts at the end of 2016, which continued to develop into 2017 and 2018. This includes the order for M Series, megawatt scale, hydrogen electrolyzers from Guangdong Synergy Hydrogen Power Technology Co., Ltd. ("Synergy"), under the earlier announced agreement between the two companies. Four MW systems have so far been ordered under the agreement, of which three were delivered in 2017. The total agreement covers up to 13 MW-systems with a potential total value, including installation and associated services, of approximately USD 22 million.

The agreement confirms the strong partnership between Nel, Synergy, and the Yunfu government in the Guangdong Province of China, and also positions Nel to harness the fast-developing market for heavy duty fuel cell trucks and buses in China, both with electrolyzers and complete hydrogen refueling solutions.

In 2017, Proton OnSite also 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 onboard multiple classes of nuclear powered submarines and will be delivered under an exclusive contract. The orders demonstrate the robustness of the PEM and cell stack technology, jointly developed by Proton OnSite and UTAS for their Navy customers. The technology has also been integrated into commercial electrolyzers under Proton's C-Series® product line.

During the year, Nel entered into an agreement with H2V PRODUCT (HTV), a subsidiary of Alain Samson owned SAMFI-INVEST Group, for a power-to-gas project in France in 2017. Due to limited progress from H2V, in addition to their inability to secure project financing, Nel decided in April 2018 to halt further work under the agreement. Any future initiative by H2V related to injecting hydrogen into the natural gas pipelines in France will need to be developed without the use of any information acquired through the process with Nel.

NEL HYDROGEN FUELING

Nel Hydrogen Fueling reports financial figures together with Nel Hydrogen Solutions, found in the next section.

Development of the new Herning facility continues, with a total investments of NOK 85 million, hereof the remaining of approximately NOK 20 million in 2018. The factory has the potential to manufacture hydrogen fueling stations to support an annual introduction of 200,000 FCEVs. With a full ramp-up and plant optimization, the facility will have a manufacturing capacity of up to 300 fueling stations per year. Establishing serial production according to LEAN-principles enables further product improvements over time, as well as other scale benefits.

As previously discussed, the new H2Station® offers customers a modular, flexible and scalable fueling solution, and can operate up to three hydrogen dispensers to fuel hydrogen cars, buses, trucks, forklifts, and even trains. In addition to having a very compact footprint based on years of R&D and operational experience in the field, the new multipurpose H2Station® offers fast fueling with long range, according to international standards. The station can also be expanded based on customers' need for hydrogen and is prepared for increase of hydrogen storages, and the addition of dispensers when utilization increases.

NEL HYDROGEN SOLUTIONS

Nel Hydrogen Fueling and Solutions had revenues in 2017 of NOK 101.3 million, representing a growth from NOK 71.1 million in 2016.

The purchase order from Nikola for two demo refueling stations to serve Nikola's test fleet has a value of USD 3.6 million and is intended to start in the second half of 2018. As previously referenced, the order is the initial part of an exclusive partnership aimed at developing low-cost renewable hydrogen production and fueling sites for the potential development of 14 large-scale sites, with a capacity of up to 32 tons of hydrogen per day. Nel will work exclusively on all hydrogen stations involving electrolysis, and in April 2018, Nel received an additional purchase order of USD 5.5 million, as part of Nikola's demo-stations.

Other contract developments:

Nel saw a number of developments throughout 2017 that further confirm the company's global reach. This included contracts in California, Estonia, Iceland and South Korea, as well as entering into a new joint venture, discussed in more detail below.

California:
In February 2017, Nel entered into a framework contract for the supply, construction and maintenance of H2Station® hydrogen fueling stations in California for Royal Dutch Shell Plc ("Shell") in a partnership with Toyota Motor Corp. The first purchase orders had a value of approximately NOK 140 million, while the total value will depend on the number of H2Stations and the scope of equipment and services. The announcement followed the California Energy Commission (CEC) Notice of Proposed Awards (NOPA) for the Grant Funding Opportunity.

Nel also received additional purchase orders on H2Station® equipment and services from Shell under the earlier announced California framework contract. The purchase orders have a total value of approximately NOK 50 million with expected delivery and installation during 2018. This order comes in addition to the previously announced order, and further marks the strong start to Nel's hydrogen partnership in California.

Through this project, Shell will build fueling stations at seven new locations for hydrogen cars in California in partnership with Toyota Motor Corp.

Estonia:
Nel Hydrogen Solutions received a purchase order on a combined hydrogen PEM electrolyzer 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, buses and trucks.

Th order marks the first where the Proton PEM electrolyzer is combined with the Nel H2Station® in Europe, and reflects a leveraging of 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.

Iceland:
Nel Hydrogen Solutions was awarded a contract by Icelandic Hydrogen for three H2Station® hydrogen fueling stations and a Nel C-series electrolyzer. Initially, Icelandic Hydrogen will establish three hydrogen fueling stations connected to central renewable hydrogen electrolysis production, and be aimed at a continuous long-term expansion of the network along with FCEV deployments to meet a growing hydrogen fuel demand.

Icelandic Hydrogen is a newly established JV between the major Icelandic oil retail company Skeljungur HF (owning 90%) and Nel (owning 10%). The purpose of the JV is to establish a network of hydrogen fueling stations and renewable hydrogen production in Iceland. The contract has a total value of more than EUR 4 million. The shipment of equipment started at the end of 2017, with installment during 2018.

Norway:
Uno-X Hydrogen AS, a joint venture in which Nel has a 39% ownership, was awarded a grant of NOK 20 million in 2017 from the Norwegian public enterprise Enova SF, for expanding the Norwegian hydrogen network with two hydrogen fueling stations in Akershus.

The grant will ensure an 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 for the establishment of hydrogen infrastructure and for fleet users to purchase hydrogen vehicles and stations.

South Korea:
In South Korea, Nel established a joint venture with Deokyang Co., Ltd. (Deokyang), the largest hydrogen supplier in the country. The purpose of the joint venture Nel-Deokyang Ltd. is sales and marketing of Nel's H2Station® hydrogen fueling stations in South Korea.

The South 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. South Korean stations are fully financed by the local and national governments, with owner- and operator-ship undertaken by local cities and regions.

Hyon AS:
In 2017, Nel established a joint venture, Hyon AS, with Hexagon Composites ASA and PowerCell Sweden AB for the development of integrated hydrogen projects. Hyon is equally owned by the partners, and represents a one-stop-shop for customers wanting to utilize hydrogen technologies across the value chain: From renewable hydrogen production, storage, distribution and dispensing, to generating electricity via fuel cells. Hyon will manage and develop the projects to ensure that technologies from the partners are effectively integrated into complete and optimal solutions for the customer.

The company's initial focus is on opportunities in the maritime and marine segments, but Hyon will also respond to project opportunities within energy storage.

CORPORATE DEVELOPMENTS

2017 was a year of accelerated commercial activities for Nel. For 2018 and beyond, Nel is moving into a mode of execution, including preparing for capacity expansions. As a result, 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.

In February, Nel raised NOK 176.7 million in gross proceeds at a price per share of NOK 2.72, in order to secure funding to acquire Proton OnSite. In September, the company completed a private placement of 88,000,000 new shares at a price of NOK 2.50 per share, with transfer of the NOK 220 million in the fourth quarter. Later, the company completed a subsequent offering of 10,000,000 new shares in Nel at a subscription price of NOK 2.50 per share. The last equity raising was undertaken as a response to increased order volumes and high business development activities in markets with strong growth momentum.

LEGAL DEVELOPMENTS

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

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, to be fully integrated into and adapted for the H2Stations®.

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

ORGANIZATION, STAFF AND MANAGEMENT

Through its operational business units, the group had 203 employees at the end of 2017.

Following the integration of Proton OnSite, the Nel group management consists of the following five group executives and three divisional heads:

- Chief Executive Officer: Jon André Løkke
- Chief Financial Officer: Bent Skisaker
- SVP Sales and Marketing: David T. Bow
- VP Market Development and PR: Bjørn Simonsen
- VP Business Development: Mikael Sloth

Divisional heads:

- SVP Nel Hydrogen Electrolyser (and Chief Technology Officer): Anders Søreng
- SVP Nel Hydrogen Fueling: Jørn Rosenlund
- SVP Nel Hydrogen Solutions: Jacob Krogsgaard

The company practices a policy of equal treatment on all assignments and promotions. Currently, 18% of the employees are women. Salaries, positions and duties are determined on the basis of qualifications and experience. The group has not adopted any further specific policies regarding human rights.

No accidents or injuries were recorded in 2017. In 2017, the sick leave rate was 2.5%, compared to 2.6% in 2016.

Following elections at the Annual general meeting 15 May 2017, the board of directors consists of Hanne Skaarberg Holen (chair of the board), Mogens Filtenborg, Ole Enger, Beatriz Malo de Molina and Finn Jebsen.

CORPORATE SOCIAL RESPONSIBILITY

Following the integration of Proton OnSite, attention is brought to corporate social responsibility and business conducts across different borders and cultures. The company aims at a continued solid corporate culture and to preserve the integrity of the company, by helping employees practice good business standards.

The company is implementing ethical guidelines as a part of the corporate governance framework to maintain a high ethical standard in its business concept and relations with customers, suppliers and employees. Consequently, the continued development and implementation of CSR guidelines, inspired by the Oslo Stock Exchange guidance on the reporting of corporate responsibility, will also be a prioritized task throughout 2018.

CORPORATE GOVERNANCE

The board and management of Nel are committed to maintaining high ethical standards and promoting good corporate governance. The company believes that good corporate governance builds confidence among shareholders, customers and other stakeholders, and thereby supports maximal value creation over time. The equal treatment of all shareholders lies at the heart of the company's corporate governance policy. The company has only one class of shares, and all shareholders have equal rights. The company's shares are listed and freely transferable. Nel's Corporate Governance Report is based on the Norwegian Code of Practice for Corporate Governance dated 30 October 2014, and can be found on pages 20-23 of this annual report and on the company's website.

SHAREHOLDERS AND FINANCING

Nel's shares are listed on the Oslo Stock Exchange under the ticker "Nel." At the end of 2017, the company had 998,714,952 outstanding shares, held by 14,780 shareholders. The nominal value of the Nel share is NOK 0.20 per share.

As a result of the developments and the rights issues completed in 2017, the company estimates that it has sufficient working capital for the 12 months following the balance sheet date. In accordance with section 3(3a) of the Norwegian Accounting Act, the board of directors, therefore, confirms that the going-concern assumption is met and that the annual accounts have been prepared in accordance with this assumption.

The company has placed considerable emphasis on providing shareholders, and investors in general, with timely and relevant new information about the company and its activities in compliance with applicable laws and regulations. Nel is committed to increase awareness of the stock in Norway and abroad. The list of shareholders includes a considerable number of Nordic institutional investors and private investors.

RISKS AND UNCERTAINTY FACTORS

Nel's regular business activities entail exposure to various types of risk. The company proactively manages such risks and the board of directors regularly analyzes its operations and potential risk factors and takes steps to reduce risk exposure. Nel places strong emphasis on quality assurance, and has quality systems implemented, or under implementation, in line with the requirements applicable to its business operations.

Nel is operating in a fast-growing, emerging market with a long list of initiatives in many regions. The need to address growth opportunities ahead of actual market demand, balanced with the need to conserve cash, is a continual challenge. Many opportunities may require physical market presence, a potential production cost structure demanding a higher level of production capacity, as well as an increased level of automation. The timing of addressing such elements is therefore important. Moving too fast could result in an unnecessarily high cost level with cash requirements beyond the current financing plan.

The complete range of operational-, financial- and market related risk factors is discussed in detail in note 23.

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 has an enviable position within the hydrogen industry as a pure play company positioned to play an important role in a fast-growing market. Nel offers the complete range of electrolyzers, as well as state-of-the-art fueling stations for all types of fuel cell electric vehicles, and targets to maintain this unique position within the industry. Further, we are intent on positioning the company to address the expected growth in our markets.

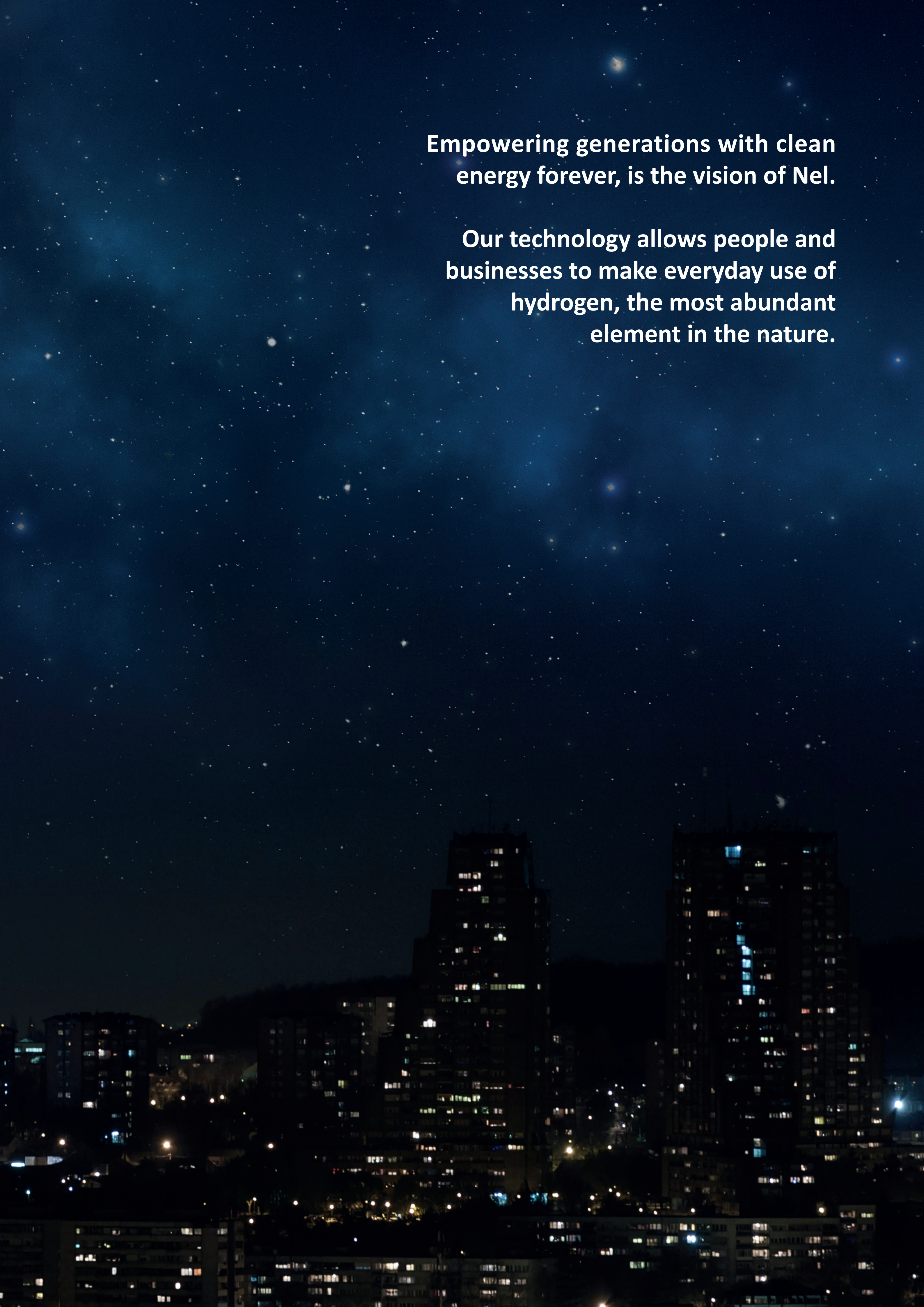
Nel aims to capitalize on the emerging opportunities within power-to-X and hydrogen fueling, targeting continued technology leadership, global presence, cost leadership, and preferred-partner status for industry participants.

- Ongoing activities to implement synergies between Norwegian and U.S. operations
- Continue to evaluate significant expansions at the facility in Notodden to be able to deliver larger volumes and further reduce production costs
- Continue ramp-up of production capacity at the Herning facility. Comfortable contract coverage for 2018
- California installation- and service team in place, preparing for installations of Shell-, as well as Sunline- and H2Frontier stations
- Working to secure contracts on H2Stations® in Korea and Europe
- Explore market opportunities in China, and alternative penetration strategies
- Ongoing collaboration on H2Bus Europe for a large-scale hydrogen bus rollout

OSLO, 19 APRIL 2018

THE BOARD OF DIRECTORS OF NEL ASA

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



Empowering generations with clean energy forever, is the vision of Nel.

Our technology allows people and businesses to make everyday use of hydrogen, the most abundant element in the nature.

Corporate governance

1. Report on corporate governance

The Norwegian Code of Practice for Corporate Governance is intended to strengthen confidence in listed companies and thereby promote the best possible value creation over time, for the benefit of shareholders, employees and other stakeholders. Observance of the recommendations is based on the "comply or explain" principle. Nel's board of directors and management have resolved to follow the recommendations of the Code to the extent deemed reasonable in view of the company's size.

The Norwegian Code of Practice for Corporate Governance can be found at www.nues.no. Nel will provide explanations of any non-compliance with the code.

Nel has introduced a set of corporate values, and ethical guidelines. The guidelines provide that the company's board and employees should follow a high ethical standard in carrying out their work and duties. Although Nel's guidelines discuss the company's dealings with various interest groups, the company has not established guidelines dealing specifically with social responsibility. Such guidelines may be developed and current policy documents may be revised.

2. Business

Nel ASA's business purpose is defined in the company's articles of association as follows: "The Company's business is to conduct business, invest in and/or own rights in biotech/pharmaceuticals, production and sale of hydrogen plants, or other areas." Further, the company's business strategy is described in the annual report under "Report from the board of directors".

3. Capital and dividend

The company's registered share capital as of 31 December 2017 consisted of 998,714,952 shares with a par value of NOK 0.20 per share.

Under the company's strategy, and following the strengthening of the balance sheet in 2017, dividends are not currently planned for during this stage of the business development process.

4. Equal treatment of shareholders and transactions with related parties

All shares in Nel carry one vote, and the shares are freely transferable. The company has only one share class, and all shareholders have equal rights. Existing shareholders are given priority in the event of share capital increases, unless special circumstances warrant deviation from this principle.

At the general meeting in 2017, the board was granted authorization to increase the share capital with up to NOK 37,432,912.60 through one or several capital increases, in addition to an authorization to acquire shares in Nel on behalf of the company.

Transactions between the company and related parties, including members of the board or persons employed by the company either personally or through companies belonging to related parties, must be based on terms achievable in an open, free and independent market, or on a third-party valuation. Major transactions with related parties must be approved by the general meeting.

5. Free transferability

The company's shares are listed on the Oslo Stock Exchange under the ticker NEL and are freely transferable. The articles of association contain no restrictions on transferability.

6. General meeting

Shareholders can exercise their rights at general meetings, and the company wants general meetings to be a meeting place for shareholders and the board of directors. The company will seek to enable as many shareholders as possible to participate in general meetings. Meeting documents will be published on the company's website no later than 21 days before a general meeting. The company endeavors to ensure that meeting documents are sufficiently detailed to enable shareholders to take a view on all matters to be considered. The deadline for notifying attendance at a general meeting is set as close to the meeting as possible.

Shareholders who are unable to participate themselves may vote by proxy. The proxy form will be designed so that it can be used to vote on all matters up for consideration, and on candidates for election.

The company will encourage board members to attend general meetings. The members of the nomination committee and external auditors are also invited to attend.

In accordance with the articles of association, general meetings are chaired by the board chair if no-one else is elected to do so. Minutes of general meetings are published in the form of stock exchange notifications and on the company's website.

7. Nomination committee

In accordance with Nel's articles of association, the general meeting has established a nomination committee comprising three members. These must be shareholders or representatives of shareholders. The nomination committee evaluates and proposes board members to the general meeting, and makes recommendations on director remuneration. No board members or representatives of company management are members of the nomination committee.

Nomination committee members are elected for a one-year term. At the general meeting on 15 May 2017, the following persons were elected to the nomination committee and serve until the 2018 annual general meeting:

- Leif Eriksrød, chair
- Magne Myrehaug, member
- Jesper Boisen, member

8. Corporate assembly and board, composition and independence

Nel has chosen not to have a corporate assembly due to the limited size of the company and the small number of employees. The functions of the corporate assembly have been transferred to the general meeting and board of directors.

The board and board chair are elected by the general meeting. The board's composition is designed both to represent the interests of all shareholders and meet the company's need for expertise, capacity and balanced decision-making. The board should function as an effective collegiate body.

The board is elected for a one-year term, and board members may stand for re-election. The CEO is not a member of the board. According to its articles of association, Nel's board must have between four and seven members.

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. Each of the board members are considered independent from the company's day-to-day management. The board is qualified to assess the day-to-day management and significant contracts entered into by the company on an independent basis.

See also note 6 (group) and note 4 (parent company) for transactions with related parties.

The shareholdings of directors and senior management are outlined in note 5.

9. The board's work

A plan for the board's work is prepared every year. The board has also adopted instructions for the board and CEO detailing the work and responsibilities of the board and CEO, respectively. The board ensures that the company's business is properly organized and that plans and budgets are prepared. The board's plans and rules of procedure ensure that the board is kept informed of the company's financial position and that the business, asset management and accounts are subject to controls.

The chair ensures the proper functioning of the board. The chair leads the board meetings and prepares board matters in cooperation with the CEO. The CFO keeps minutes of board meetings, which are approved and signed by all board members. In addition to ordinary board meetings, annual strategy meetings are held, devoted to the in-depth assessment of major challenges and opportunities for the company. The board manages the company's strategic planning, and assesses its strategy regularly.

The board aims to evaluate its composition and board work at least once a year. The evaluation may also cover the way in which the board functions, at both individual and group level, in relation to the objectives that have been set for its work. The evaluation reports are presented to the nomination committee.

In 2017, the board of directors conducted 14 board meetings, held at group headquarters in Oslo, at group premises in Herning (DK) and Notodden, held as telephone meetings, and held by circulation of documents.

The company has an audit committee, which is governed by the Norwegian Public Limited Liability Companies Act. The members of the audit committee are appointed by and from the members of the board, and currently consist of Ms. Hanne Skaarberg Holen and Ms. Beatriz Malo de Molina. Both members are independent of the company's management.

10. Risk management and internal controls

Risk management and internal controls are important to Nel. They enable the company to achieve its strategic objectives, and are an integral part of management decision-making processes, the organizational structure and internal procedures and systems.

Risk management and internal control requirements have been evaluated by management and the board of directors, and a set of appropriate procedures has been established. In this context, emphasis is also given to ensuring that the company operates in accordance with accepted ethical guidelines and values, including guidelines on how employees can communicate matters relating to illegal or unethical behavior on the company's part to the board. Nel believes that its values and control procedures meet social responsibility requirements and are proportionate to the scope and nature of its business, but has not yet developed specific social responsibility guidelines.

Nel's regular business activities entail exposure to various types of risk. The company proactively manages such risks, and the board regularly analyses its operations and potential risk factors and takes steps to reduce risk exposure. Nel places a strong emphasis on quality assurance, and has quality systems implemented, or under implementation, in line with the requirements applicable to its business operations.

The full range of risk factors is discussed in more detail in the notes to the annual accounts.

The company's financial reporting complies with the laws and regulations applicable to companies listed on the Oslo Stock Exchange. Nel has also adopted basic financial reporting procedures and guidelines. The board of directors reviews the company's financial position frequently through reporting and reviews at board meetings, and reviews the financial statements at the end of every quarter. At least once a year, the board assesses the company's risk profile by reference to strategic, operational and transactional factors.

As a listed company, Nel has a special responsibility relating to the insider trading rules, the provision of information and share trading. The company has guidelines to ensure that board members, senior management and other insiders comply with relevant legislation and rules relating to insider trading in the company's shares.

11. Board remuneration

Nel's general meeting determines the remuneration of the board of directors based on a recommendation by the nomination committee. Board remuneration must reflect the board's expertise and time investment, as well as the complexity of the business and the fact that Nel is a listed company. Remuneration takes the form of a fixed annual amount, and is not tied to the company's performance or share price.

In this regard, please also see the assessment regarding the independence of the directors and board chair set out in section 8 above.

The board remuneration for 2017 is outlined in note 5.

12. Remuneration of senior management

The board prepares guidelines on the remuneration of the company's senior management. These guidelines, as well as details of the remuneration packages of the CEO and other senior executives, are set out in the notes to the annual accounts.

The guidelines on the remuneration of senior management must be submitted to the general meeting. The board considers that the remuneration paid to senior management reflects market practice and that the remuneration packages do not include any unreasonable terms, for example in connection with resignation or termination of employment.

Incentive schemes for the CEO and other employees are set out in the notes to the annual accounts. The incentive schemes cover all non-temporary employees, and have been submitted in detail for the general meeting's approval.

13. Information and communication

The company publishes a financial calendar on an annual basis, which includes the dates of general meetings and dates for the presentation of interim reports. All press releases and stock exchange notifications are posted on the company's website, www.nelhydrogen.com. Stock exchange notifications are also available at www.newsweb.no.

The company complies with all applicable disclosure laws and practice, including equal treatment requirements. The ability to provide information about the company in addition to published reports is restricted under stock exchange regulations. Inside information is only released to persons other than primary insiders when the company considers it necessary, and then only in accordance with a system of insider declarations and insider lists.

The insider lists are maintained by the CFO.

Nel wishes to maintain a constructive, open dialogue with its shareholders, analysts and the stock market in general. The company holds regular presentations for investors, analysts and shareholders. The company's CEO is responsible for external communication and investor relations. The CEO and board chair are both authorized to speak on behalf of the company, and may delegate their authority in this regard as they consider appropriate.

14. Company takeovers

In the event of a takeover situation, the company's board and management will endeavor to ensure the equal treatment of shareholders. The board will ensure that shareholders are given information and time to evaluate any bona fide bid, and will endeavor to provide a recommendation to shareholders as to whether or not the bid should be accepted. The board and management will help ensure that there are no unnecessary disruptions to the business in the event of a takeover. Moreover, such a situation will be governed by the provisions applicable to listed companies.

15. Auditor

The auditor attends the board meeting at which the annual financial statements are approved. The auditor presents an annual audit plan to the audit committee.

The board has adopted guidelines on management's use of the auditor for services other than auditing. The notes to the accounts state that use of the auditor for other services has been limited.

The fee payable to the auditor is specified in Note 8 to the annual accounts, and is categorized under the item statutory audit and other services. The board submits proposals regarding the fees payable for the statutory audit to the general meeting for approval.

Members of the board

HANNE SKAARBERG HOLEN, CHAIR

Ms. Skaarberg Holen (born 1964) is a partner at law firm Thommessen in Oslo, working with tax law, company law, professional liability and related litigation. She has a background as partner/lawyer at PricewaterhouseCoopers and as audit manager at Price Waterhouse. Hanne Skaarberg Holen has a law degree from UiO and a business management degree from HEC - University de Lausanne. She has management experience and board experience from both listed and private companies. Ms. Skaarberg Holen is a Norwegian citizen and lives in Oslo.

FINN JEBSEN, BOARD MEMBER

Mr. Jebsen (born 1950) has worked for Mars Inc. in the US and Norway and later for 25 years at Orkla ASA, where he held positions as Business Development Manager, CFO, EVP of Financial Investment Division, EVP of Branded Consumer Goods Division, and CEO. From 2005 he has been working as a professional board member and chairman of several private and listed companies. Mr. Jebsen holds a Master's Degree in Business from NHH and a MBA from UCLA. Mr. Jebsen is a Norwegian citizen and lives in Oslo.

OLE ENGER, BOARD MEMBER

Mr. Enger (born 1948) has worked as CEO in Nordsilmel, Elkem, SAPA, REC, REC Solar and he has been in the executive management of Norsk Hydro and Orkla. Ole Enger has an educational background from Norwegian University for Environment and Life Sciences, NHH and IMDE Business School. He has board experience as both chairman and board member of a number of private and listed companies. Mr. Enger is a Norwegian citizen and lives in Oslo.

BEATRIZ MALO DE MOLINA, BOARD MEMBER

Ms. Malo de Molina (born 1972) has worked as Senior Vice President and Head of M&A at Orkla ASA and has previously held positions at Kistefos Private Equity and McKinsey & Co in Oslo, Goldman, Sachs & Co in London, Frankfurt, New York City and Mexico City and Ernst & Young's financial advisory department in New York City. She graduated from Georgetown University in Washington D.C, attended the Haupt- und Wirtschaftsuniversität in Vienna, Austria and holds a Master's degree in Philosophy from UiO in Oslo. Ms Malo de Molina has board experience from listed and private companies both in Norway and internationally, including chairmanship positions. Ms. Malo de Molina is a Spanish Citizen and is now a Permanent Resident of Norway.

MOGENS FILTENBORG, BOARD MEMBER

Mr. Filtenborg (born 1957) is the owner and director of the investment and consultancy company Zuns ApS. Mr. Filtenborg has worked for Vestas Wind Systems A/S as Executive Vice President, member of management board and director of operations/ CTO. Further Mr. Filtenborg has worked for SKOV A/S as CEO. He serves as chairman and director of several private and listed companies. Mr. Filtenborg is educated at the University of Aalborg, Denmark as an engineer. He is a Danish citizen and resides in Sunds, Denmark.

Management

Corporate group management:

JON ANDRÉ LØKKE, CEO

Jon André Løkke was appointed Chief Executive Officer (CEO) in 2016. Mr. Løkke comes from the position as CEO of Norsk Titanium AS, developing and industrializing 3D printing technology for the production of titanium components for the aerospace and other industries. He has ten years' experience from the REC Group, including positions as senior vice president in REC Wafer, investor relations officer in REC ASA and CFO in REC ASA. Mr. Løkke has also worked for the ABB Group and holds an International MBA degree from Glasgow University and a Bachelor degree in business and economics from Southampton University.

BENT SKISAKER, CFO

Bent Skisaker joined Nel in 2016. Mr. Skisaker comes from a position as Chief Financial Officer (CFO) of Eureka Pumps and has more than ten years' experience as CFO in other companies in the Aker Group, both listed and private equity owned. Mr. Skisaker has also served eight years as an auditor and financial advisor at Ernst & Young/Arthur Andersen. Mr. Skisaker holds a B.A. (Hons.) of Business Organisation from Heriot-Watt University, a Master in Accounting and Auditing from the Norwegian School of Economics (NHH), and is qualified as a State Authorized Public Accountant in Norway.

DAVID BOW, SVP SALES AND MARKETING

David Bow was appointed SVP Sales and marketing and joined Nel ASA in August 2017. Prior to Nel he worked at Proton OnSite from 2014, where he held the title Senior Vice President of Sales and Marketing. He held the position as Senior Vice President of Global Commercial Development in Cosa+Xenatu Corporation. Mr. Bow holds an Executive Finance-Executive Master of Business Administration program form Kellogg School of Management, Northwestern University, Chicago.

BJØRN SIMONSEN, VP MARKET DEVELOPMENT/PR

Bjørn Simonsen joined Nel in 2014. He has 10 years' experience from the hydrogen sector, and began as a research engineer at Institute for Energy Technology (IFE), followed by key positions in the Norwegian hydrogen arena. Mr. Simonsen also serves as chairman of the board of Hyon AS and board member of Uno-X Hydrogen AS. He holds a M.Sc. from the Norwegian University of Science and Technology (NTNU).

MIKAEL SLOTH, VP BUSINESS DEVELOPMENT

Mikael Sloth was appointed VP Business Development in Nel as in 2016, and is leading the market entry efforts into California and the US. Mr. Sloth was the co-founder and served as Business Development Manager in H2 Logic from 2003, leading the European business development efforts. Mr. Sloth is the Nel representative in various Californian and US hydrogen associations, and has previously served as board member of the €2,5 billion European Joint Technology Initiative for Hydrogen and Fuel Cells during 2008-2015.

Divisional heads:

ANDERS SØRENG, SVP NEL HYDROGEN ELECTROLYSER (AND CTO)

Anders Søreng joined Nel in 2016. He has previously served as Senior Vice President in REC Solar, where he held various management positions since 2008. Mr. Søreng has recently worked as SVP & CTO of Norsk Titanium and holds a PhD from the Norwegian University of Science and Technology (NTNU).

JACOB KROGSGAARD, SVP NEL HYDROGEN SOLUTIONS

Jacob Krogsgaard was appointed SVP Nel Hydrogen Solutions in 2016. He is one of the co-founders and was Managing Director of H2 Logic since 2003. Mr. Krogsgaard also serves as CEO and board member of Danish Hydrogen Fuel A/S as well as board member of Icelandic Hydrogen – both joint venture companies with leading energy and gas companies.

JØRN ROSENLUND, SVP NEL HYDROGEN FUELING

Jørn Rosenlund was appointed as SVP Nel Hydrogen Fueling in 2016. Previously he held a position as COO in H2 Logic. Mr. Rosenlund has a background of 15 years in senior management positions on operations and supply chain management in EagleBurgmann (2013-2015) and Danfoss (2000-2013) with several years working in Denmark USA, Canada and Germany.

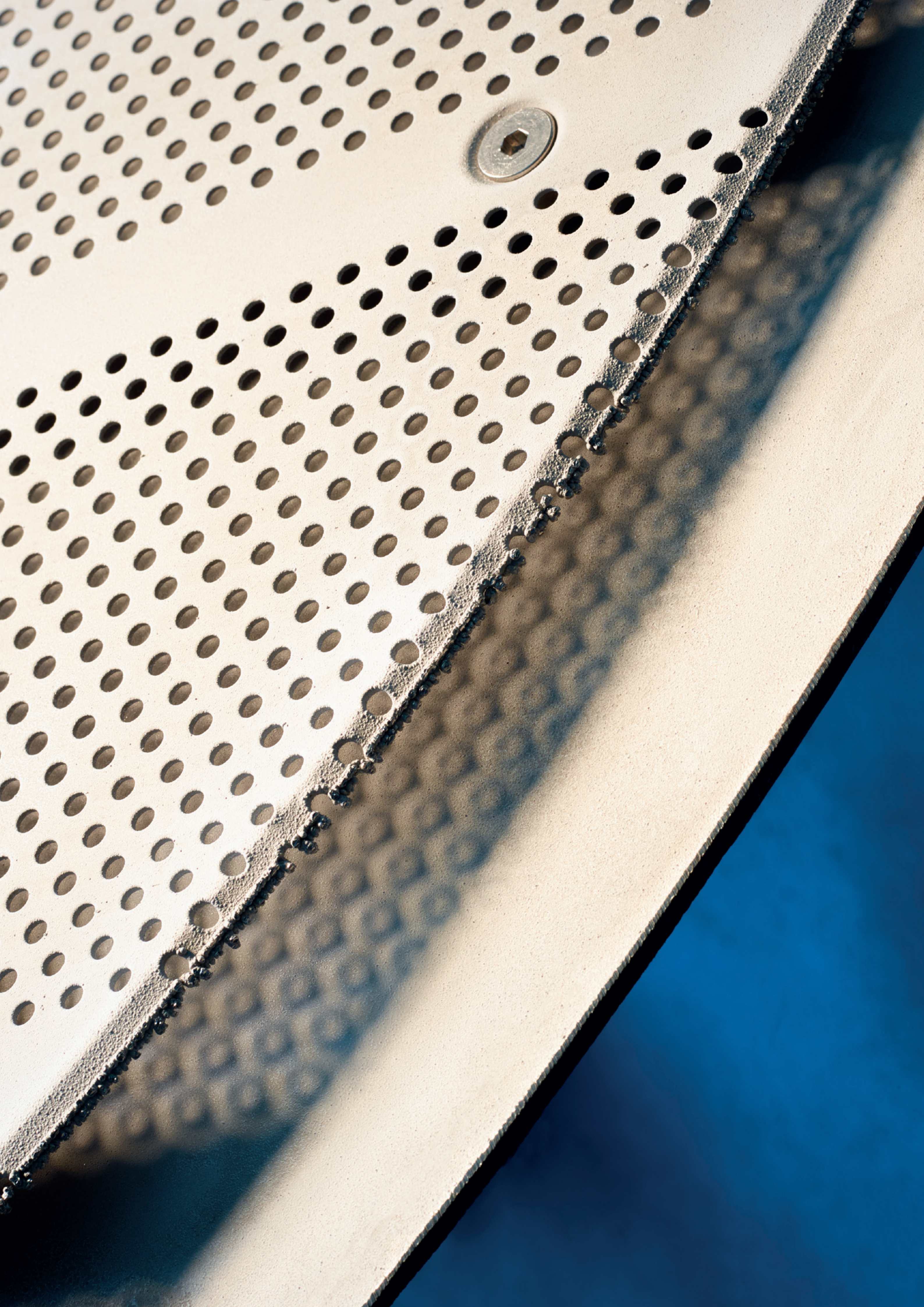
****

"We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2017, up to and including 31 December 2017, have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and that the directors' report includes a fair review of the development and performance of the business and the position of the company as a whole, together with a description of the principal risks and uncertainties the company faces."

OSLO, 19 APRIL 2018

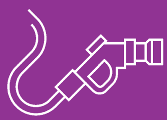
THE BOARD OF DIRECTORS OF NEL ASA

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



Consolidated financial statements 2017

Nel group



Consolidated statement of comprehensive income

(Amounts in NOK thousands)

Nel group

OPERATING INCOME AND OPERATING EXPENSES	NOTE	2017	2016
Sales revenues	3	286 365	98 446
Other operating income	3	12 061	16 032
Total operating income		298 426	114 479
Cost of goods sold		163 638	60 841
Personnel expenses	5	130 021	60 266
Depreciation	11, 12	35 968	10 431
Other operating expenses	8	85 961	38 253
Total operating expenses		415 588	169 790
Operating loss		-117 162	-55 312
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Interest income		2 442	2 399
Other financial income		4 531	1 200
Interest expense		399	629
Share of loss from associated companies	19	7 074	2 932
Other financial expenses		6 784	7 364
Net financial items		-7 284	-7 325
Pre-tax loss		-124 447	-62 637
Tax expense (-income)	9	-72 000	-6 808
Net loss attributable to equity holders of the company		-52 447	-55 829
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS (NET OF TAX)			
Currency translation differences		18 237	-19 617
Comprehensive income attributable to equity holders of the company		-34 210	-75 446
Earnings per share (NOK)	22	-0.063	-0.082
Diluted earnings per share (NOK)	22	-0.061	-0.082

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

Nel group

ASSETS	NOTE	2017	2016
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Technology	11, 4	338 510	57 854
Customer relationship	11	78 329	27 861
Customer contracts	11	9 575	0
Goodwill	11	591 735	317 629
Total intangible assets		1 018 150	403 344
TANGIBLE FIXED ASSETS			
Land, buildings and other property	12	79 654	44 778
Machinery, equipment, fixtures and fittings	12	16 544	1 025
Total tangible fixed assets		96 198	45 804
FINANCIAL ASSETS			
Investments in associates and joint ventures	19	16 865	13 708
Financial fixed assets		10 161	0
Total financial assets		27 026	13 708
Total non-current assets		1 141 374	462 855
CURRENT ASSETS			
INVENTORY			
Raw materials, work in progress and finished goods	13	138 723	36 266
RECEIVABLES			
Accounts receivable	17	96 791	34 974
Other current receivables	18	53 768	3 312
Total receivables		150 560	38 287
Cash and cash equivalents	14	295 000	225 467
Total current assets		584 282	300 019
TOTAL ASSETS		1 725 656	762 875

Consolidated statement of financial position as of 31 December

(Amounts in NOK thousands)

Nel group

EQUITY AND LIABILITIES	NOTE	2017	2016
EQUITY			
PAID IN CAPITAL			
Share capital	15	199 743	136 736
Treasury shares		-4 405	-1 377
Share premium		1 289 233	608 213
Other capital reserves		19 188	11 116
Total paid in capital		1 503 759	754 688
OTHER EQUITY			
Retained earnings		-94 373	-83 468
Total other equity		-94 373	-83 468
Total equity		1 409 387	671 219
NON-CURRENT LIABILITIES			
Deferred tax	9	68 273	13 552
Total provisions		68 273	13 552
LONG TERM DEBT			
Other long term debt	10	34 123	12 550
Total non-current liabilites		34 123	12 550
CURRENT LIABILITIES			
Accounts payable		64 857	16 790
Taxes payable	9	0	370
Public duties payable		3 060	1 347
Other current liabilities	18	145 957	47 046
Total current liabilities		213 874	65 553
Total liabilities		316 269	91 655
TOTAL EQUITY AND LIABILITIES		1 725 656	762 875

OSLO, 19 APRIL 2018

THE BOARD OF DIRECTORS OF NEL ASA

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

Consolidated statement of cash flows

(Amounts in NOK thousands)

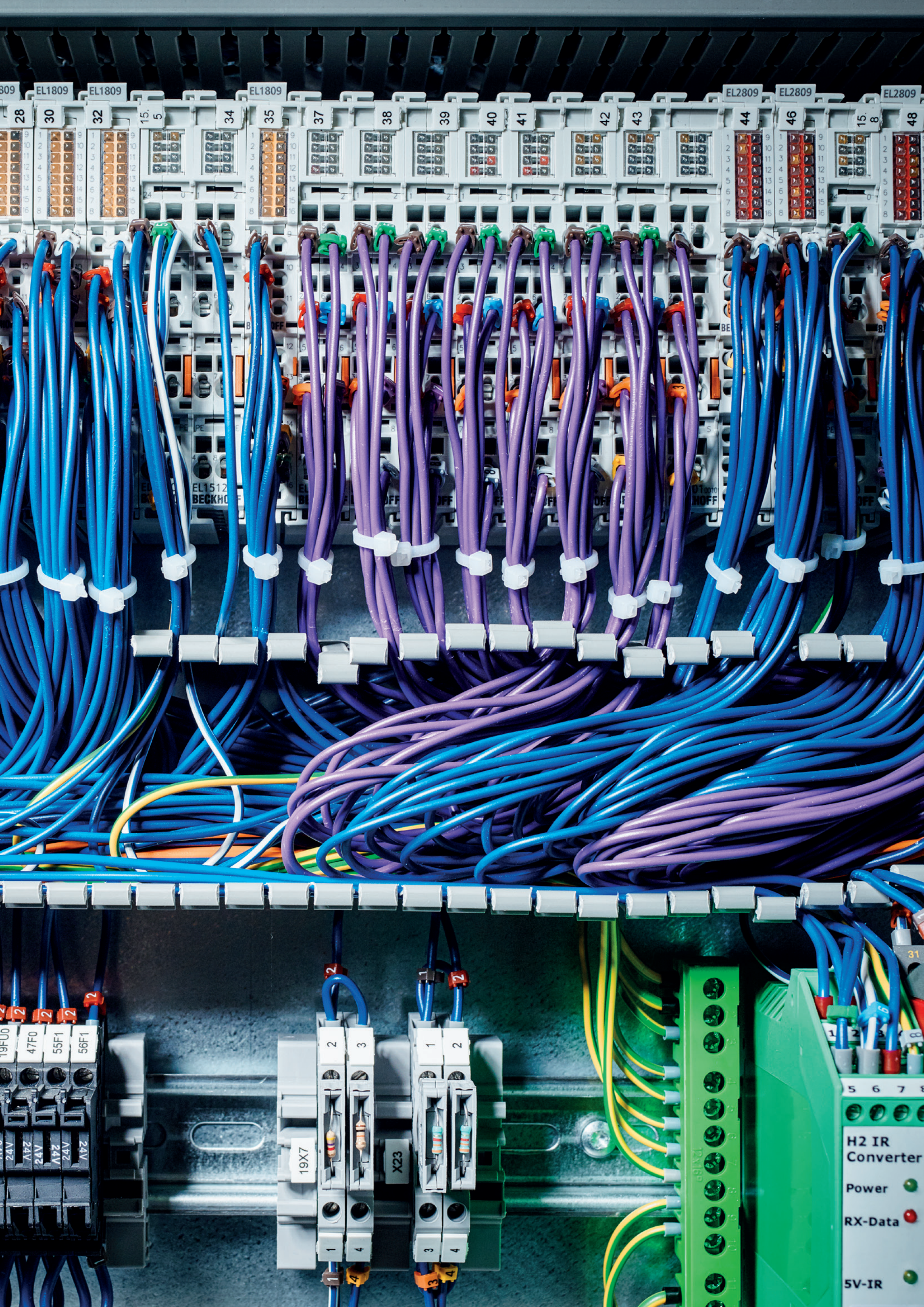
		Nel group	
CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2017	2016
Loss before tax		-124 447	-62 637
Taxes paid		0	0
Interests cost, reversed		311	629
Interests income, reversed		-2 442	-2 399
Depreciation	11, 12	35 968	9 732
Impairment of tangible and intangible assets	12	0	467
Change in provisions		44 002	-1 377
Change in inventories		-102 457	-21 243
Change in trade receivables		-61 817	5 387
Change in trade payable		48 067	30
Changes in other current assets and other liabilities		49 798	37 244
Net cash flow from operating activities		-113 018	-34 167
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Acquisitions of fixed assets	12	-71 898	-44 506
Disposal of fixed assets	12	0	37
Payment of loan given to associates and joint ventures		-198	0
Acquistion of associated companies	19	-8 624	-15 737
Acquistion of subsidiaries	21	-169 220	0
Acquistion of subsidiaries cash balance acquired		30 669	0
Net cash flow from investment activities		-219 272	-60 207
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid		-311	-629
Interests received		2 442	2 399
Gross cash flow from share issues	15	428 033	7 118
Transaction costs related to capital increases	15	-23 623	0
Installment of long term liabilities		-4 719	-2 090
Net cash flow from financing activities		401 823	6 798
Net change in cash and cash equivalents		69 533	-87 576
Cash balance as of 01.01		225 467	313 042
Cash balance as of 31.12	14	295 000	225 467

Consolidated statement of changes in equity

(Amounts in NOK thousands)

Nel group

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY							
		PAID IN CAPITAL			RETAINED EARNINGS			
	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	TREASURY SHARES	CURRENCY CONVERSION EFFECTS	RETAINED-EARNINGS/ OTHER EQUITY	TOTAL EQUITY
Equity as of 01.01.2016	680 601	136 120	601 710	1 200	0	20 220	-28 242	731 008
Increase of capital 2016	3 077	615	6 503					7 118
Treasury shares					-1 377			-1 377
Options and share program				9 916				9 916
Net loss attributable to equity holders of the company							-55 829	-55 829
Currency translation differences						-19 617		-19 617
Equity as of 31.12.2016	683 678	136 736	608 213	11 116	-1 377	603	-84 071	671 219
Increase of capital 2017	315 037	63 007	681 020					744 027
Acquisition Proton							17 049	17 049
Treasury shares					-3 028			-3 028
Options and share program				8 072			9 213	17 285
Other Changes							-2 957	-2 957
Net loss attributable to equity holders of the company							-52 447	-52 447
Currency translation differences						18 237		18 237
Equity as of 31.12.2017	998 715	199 743	1 289 233	19 188	-4 405	18 840	-113 213	1 409 386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55F1
56F1
24V
19X7
X23
H2 IR
Converter
Power
RX-Data
5V-IR

Notes to the consolidated financial statements 2017

Note 1 Corporate information

“Nel ASA (Nel) is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The group serves industry, 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 also holds a number of patents related to tests for early detection and diagnosis of diseases. Nel ASA (org. no 979 938 799) was formed in 1998 and is a Norwegian public limited company listed on the Oslo Stock Exchange. The group’s head office is in Karenslyst allé 20, N-0278 Oslo, Norway. The consolidated financial statements were approved by the Board of Directors on 19th of April 2018.

Note 2a Significant accounting principles

Basis of preparation

The group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by EU. Accounts are based on the principle of historical cost. The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand, unless when indicated otherwise. The financial statements are prepared based on a going concern assumption.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as of 31 December 2017. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group’s voting rights and potential voting rights

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity while any resultant gain or loss is recognized in profit or loss.

Investment in associates and joint ventures
The group's investments in its associates and joint ventures are accounted for using the equity method. An associate is an enitity where the group has significant influence. A joint venture is an entity where the group has joint control contractually together with one or several other parties.

The statement of profit or loss reflects the group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The group does not recognize its share of losses if this means that the carrying amount of the investment becomes negative (including unsecured receivables).

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests (if applicable) in the acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquirer's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in operating expenses. When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree, if applicable.

Goodwill
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

In accordance with IFRS the group tests at least annually whether it is necessary to do an impairment of capitalized goodwill. The value of the CGUs will be stipulated as the recoverable amount, which is the higher of net sales value and utility value. The estimated recoverable amount is calculated on the basis of the present value of budgeted cash flows. The calculation requires the use of estimates relating to future cash flows, uncertainty will normally attach to these cash flows. Events, changes in assumptions and management assessments will all affect the evaluation of impairments in the relevant period. Please refer to note 11 for further information.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and value added taxes. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue from sales of services and long-term construction projects are recognized in line with project completion. Sale of products is recognized at delivery time, i.e. when both the control and risk is mainly transferred to buyer. Revenue from services rendered is recognized in the period the service is performed. Revenue from licence is recognized at the delivery time of the licensed products or the licensed technology, i.e. when both the control and risk is mainly transferred to buyer.

Construction contracts

Defined as a long term project based on a contract or arrangement whereby the group uses the percentage of completion method to recognize revenue and costs. Completion is measured by physical measurement of progress, or if more appropriate, accrued costs. Revenue is recognized according to degree of completion.

In the period when it is identified that a project will give a negative result, the estimated loss on the contract will be recognized in its entirety.

As of balance sheet date the cumulative costs incurred plus recognized profit (less recognized loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognized profits (less recognized losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognized profits (less recognized losses), the balance is presented as due to customers on construction contracts within "trade and other payables". Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

Research and development

Research activities are defined as activities whose purpose is to generate new technological understanding or knowledge. Research costs are expensed as incurred.

Development expenditures on an individual project are recognized as an intangible asset when the group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- How the asset will generate future economic benefits
- Its intention to complete and its ability and intention to use or sell the asset
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Sufficient substantiation is deemed to exist when necessary regulatory approvals for sales and marketing are in place, and when future economic benefits are supported through estimates. Capitalized development costs are recognized at historical cost after the deduction of accumulated depreciation and impairments. The capitalized value is amortized over the period of expected future earnings from the related project on a straight line basis. Gains and losses that arise on the sale of an intangible asset are measured as the difference between the net proceeds of the sale and the book value on the transaction date.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relate to an expense item, it is normally recognized as other operating income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognized in profit or loss over the useful life of a depreciable asset as a reduced depreciation expense.

Pensions

The group has defined contribution pension scheme for its employees. This scheme is funded through payments to insurance companies. A defined contribution plan is one under which the group pays fixed contributions to a separate legal entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the group pays contribution to publicly- or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as a salary expense when they fall due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share capital

The share capital comprises the number of shares multiplied by their nominal value, and are classified as equity. Expenses which can be attributed directly to the issue of new shares or options (less tax) are recognized in equity as a reduction in the proceeds received.

Tax

The tax expense in the income statement comprises of the tax payable for the period and of the change in deferred tax. Deferred tax is calculated at the prevailing tax rate in the respective countries where the parent company and subsidiaries are tax resident. Deferred tax is calculated on the basis of temporary differences that exist between accounting and tax values, as well as any tax loss carry forward at the end of the financial year. The deferred tax asset is recognized if it is probable that the company will have a sufficient tax profit to be able to utilize the tax asset. The group recognizes deferred tax assets not previously recognized in the accounts insofar as it has become probable that the group can utilize the deferred tax asset. Similarly, the group will reduce the deferred tax asset insofar it has become probable that the group can no longer utilize the asset. Deferred tax assets and the deferred tax liabilities are recognized at their nominal value and are classified as non-current assets or long term liabilities, respectively.

Fixed assets

Fixed assets are recognized at cost price after deduction for accumulated depreciation and any impairment. The assets are depreciated using the straight line method over the expected useful life of the asset. Costs of direct maintenance on the operating assets are expensed as incurred. Additional investments and improvements are added to the asset's cost price and depreciated in line with the remaining useful life of the asset.

Account Receivables

Account receivables are initially recognized at their fair value. Provision for bad debts is recognized when objective indicators suggest that the group will not receive a settlement in accordance with the original terms. The provision represents the difference between the carrying amount and the present value of expected cash flows discounted by the effective interest rate. Changes in the provision are recognized in the profit and loss account as other operating expenses.

Inventory

Inventory comprises purchased raw materials, finished goods and work in progress. Inventory is valued at the lower of cost and net selling price. Obsolescence is considered for inventory and write-down is performed on obsolete goods.

Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits and all other monetary items due within three months or less.

Impairment of fixed assets, goodwill and other intangible assets

An assessment of impairment of fixed- and intangible assets with definite useful lives is made if there is an indication of impairment. Regardless of whether there are indications of impairment, goodwill and intangible assets with indefinite life are tested for impairment at least annually.

If the impairment test reveals that an asset's carrying amount is higher than the recoverable amount, an impairment loss will be recognized. The recoverable amount is the higher of the fair value less cost to sell and the amount esimated in a value-in-use calculation. The fair value less cost to sell is the amount that can be obtained in an orderly transaction between market participants subtracted the sales costs. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash generating unit to which the asset belongs.

If there are indications that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased, the recoverable amount of that asset is estimated. Reversal of impairment losses are only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined (net after depreciation) if no impairment loss had been recognized previously. The reversal of previous impairment loss is recognized when the reversal can be related to an event after the impairment loss was recognized.
Impairment losses previously recognized on goodwill are not reversed.

Foreign exchange and currency
Transactions in foreign currencies are converted to functional currency to the exchange rate on the transaction date. Foreign exchange gains/losses arising from changes in exchange rate between the transaction date and payment date is recorded as financial income/expense in the Statement of comprehensive income. On the balance sheet date monetary items in foreign currency are converted to exchange rates at the balance sheet date. Non-monetary items are capitalized at historical exchange rate on the transaction date.

The functional currency the subsidary Nel Hydrogen A/S is DKK. The functional currency of the subsidary Proton OnSite is USD. The profit and loss items from these two subsidaries are converted to NOK using an average exchange rate, while to balance sheet items are converted using the rate at the balance sheet date.

Financial assets and liabilities in foreign currencies are converted at exchange rates at 31 December. Exchange rate gains and losses are recognized as other financial income and other financial expenses, respectively, included in the determination of net income.

Earnings per share
Earnings per share are calculated by dividing the profit/loss for the year by the corresponding weighted average of the number of outstanding shares during the reporting period. The key figure 'diluted earnings per share' is based on the same calculation as for earnings per share, but it also takes into account all potential shares with dilutive effect that have been outstanding during the period. Potential shares relate to agreements that confer the right to issue shares in future.

Objectives, policies and processes for managing capital
The group's objective is to manage the capital structure to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The group sets the size of capital in proportion to business strategy, risk and financial marked conditions. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions, perceived risk associated with product development and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of new share issue, dividends paid to shareholders, return capital to shareholders, and sell assets to reduce debt or increase the debt by taking up loans.

Provisions, contigent liabilities and contingent assets
The group makes provisions when a legal or constructive obligation exists as a result of past events, it is more likely than not that a transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. When the group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. When the effect is significant, provisions are calculated by discounting expected cash flows at a pre-tax rate that reflects the time value of money and if appropriate the risks specific to the liability. Increase in provisions as a result of time passing, is presented as interest expense.

Information regarding significant contingent liabilities is disclosed.

A contingent asset is not recognized, but information is disclosed if there is a possibility that a significant advantage will accrue to the group.

Events after the balance sheet date
Information about the group's financial position that has occured after the balance sheet date is disclosed

if the information is considered to be significant for the group's current financial statements and future position.

Segment reporting
Nel operates and is managed in three operating segments. The three segments are:

- Hydrogen Fueling which offers H2Stations® for fast fueling of fuel cell electric vehicles as 'well as services in relation to the supply of these stations.
- Hydrogen Solutions which enables the group to utilize market opportunities accross the group and offer complete solutions to the customers.
- Hydrogen Electrolyser which offers hydrogen plants based on water electrolysis technology for use in various industries.

The two segments Hydrogen Fueling and Hydrogen Solutions are combined and financially reported as one segment.

Cash flow statement
The company uses the indirect method for the presentation of the cash flow statement.

Financial assets and liabilities
All significant financial assets are classified as loans and receivables and all significant financial liabilities are measured at amortized cost. The group does not hold significant financial assets or liabilities measured at fair value through profit or loss, held-to-maturity investments or available-for sale financial assets.

New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 and have not been applied in preparing these consolidated financial statements. None of these are expected to have significant impact on the group's consolidated financial statements, except the following two standards described below:

IFRS 15 - Revenue from contracts with customers:
The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements and will be adopted from 1st January 2018. The core principle of IFRS 15 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment).

Nel has made an assessment of the impact of the new revenue recognition standard. The analysis was done for revenues generated in all operating segments.

The analysis of IFRS 15 potential impact on revenue recognition concluded that revenue from aftersales in the Electrolyzer Norway segment would change from using a progress based method to a point in time method when the risk and rewards are transferred to customer in full. It is estimated that this will have a low effect on the revenues from this segment if the standard was in effect in the financial year 2017. NEL will apply the modified retrospective approach for transition. Under this approach, the comparative periods are not restated, and the cumulative effect of initially applying IFRS 15 is recognized in the 2018 opening balance at the date of initial application. The equity effect on the opening balance for 2018 is estimated to approximately NOK 3.0 million.

IFRS 16 Leases
IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognize assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The company has operating leases related to equipment and offices for NOK 3 million per year The standard is effective for accounting periods beginning on or after January 1, 2019. Nel is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Note 2b Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make assessments and to prepare estimates and assumptions that influence amounts recognized in the accounts for assets and obligations, revenues and expenses. Estimates and related assumptions are based on the best of the management's knowledge of historical and relevant events, experience and other factors that seem reasonable under the circumstances. The actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous assessment.

Business combination
Due to the acquisition of Proton OnSite excess values from the business combination is allocated to identifiable intangible assets and goodwill based on a third party purchase price allocation (PPA). The PPA is based on several assumption and judgements provided by management and their best knowledge. The significant ones relate to the allocated value from customer contracts, customer relationship and the technologies acquired.

Key assumptions regarding the fair value of technologies obtained is useful life of the patented technology an estimated royalty rate.

Key assumptions regarding the fair value of customer related assets is the assessment of revenue share from recurring customers and estimate of useful life of customer relationships.

Please refer to note 21 for more information regarding the Proton OnSite acquisition.

Deferred tax asset
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The group has NOK 730 million of tax losses carried forward (446 in 2016). These losses relate to subsidiaries that have a history of losses, do not expire, and to some extent may not be used to offset taxable income elsewhere in the group. On this basis, the group has determined that it can only recognize deferred tax assets to a small extent from the tax losses carried forward. Deferred tax assets not recognized in the statement of financial statement amount to NOK 152 million in 2017 (101 in 2016).

Further details on taxes are disclosed in Note 9.

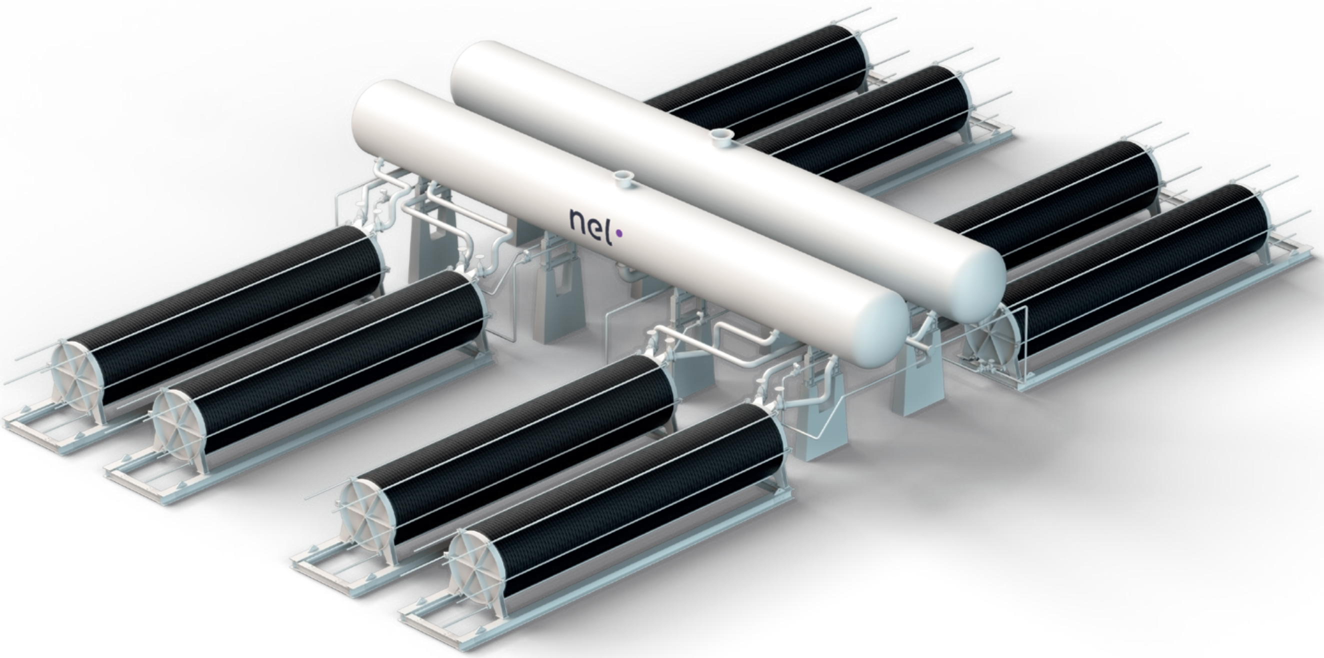
Impairment of goodwill and intangible assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a DCF model. The cash flows are derived from the budget and strategy forecasts for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 11

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate evaluation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognized in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled

transactions with employees at the grant date. The group has considered only hold equity instruments. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 5.

Development costs

The group capitalizes costs for product development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.



Note 3 Business segments

Nel operates within three business segments, Hydrogen Fueling, Hydrogen Solutions and Hydrogen Electrolyser. Currently the financial figures from the two divisions, Fueling and Solutions, are reported together as one.

Through the subsidiary Nel Hydrogen A/S based in Herning, Denmark, the group offers H2Stations® for fast fueling of fuel cell electric vehicles as well as services in relation to the supply of these stations. Through its subsidiary Nel Hydrogen Electrolyser AS, based in Notodden, Norway, the group offers hydrogen plants based on water electrolysis alkaline technology for use in various industries. Through its subsidiary Proton Energy Systems Inc, USA, that was acquired in 2017, the group offers hydrogen plants based on water electrolysis PEM technology for use in different industries. The identification of segments in the group is made based on the different products the division offers as well as geographical areas the divisions operate in.

The executive management group is the chief operating decision maker (CODM) and monitors the results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(Amounts in NOK thousands)

2017	BUSINESS SEGMENTS			
REVENUES BY CUSTOMER LOCATION	FUELING AND SOLUTIONS	ELECTROLYSER	OTHER/ ELIMINATION*	TOTAL
Europe	74 903	61 072	338	136 313
North America	25 333	72 539	0	97 872
Asia	1 073	46 131	0	47 204
Middle East	0	10 377	0	10 377
Africa	0	3 132	0	3 132
South America	0	3 202	0	3 202
Oceania	0	326	0	326
Total revenues	101 308	196 779	338	298 426
Operating expenses	144 926	203 939	66 723	415 588
Operating loss	-43 618	-7 160	-66 385	-117 162
Financial income	1 359	3 135	2 479	6 973
Financial expenses	7 786	2 692	3 779	14 257
Tax expense (income)	-5 686	-2 226	-64 087	-72 000
Profit (loss) after tax	-44 359	-4 491	-3 597	-52 448
Total assets	232 180	310 202	1 183 274	1 725 656
Total liabilities	142 787	226 451	-52 969	316 269

** Other and eliminations comprises excess values on intangible assets and related depreciation and tax expense (income) derived from the consolidatation of the financial statements not allocated to the business segments. In addition, it comprises elimination of intercompany transactions and balances.*

No single customer has revenues amounting to more than 10% of total revenues in 2017.

(Amounts in NOK thousands)

2016	BUSINESS SEGMENTS			
REVENUES BY CUSTOMER LOCATION	FUELING AND SOLUTIONS	ELECTROLYSER	OTHER/ ELIMINATION*	TOTAL
Europe	71 093	36 587	0	107 680
Asia	0	6 798	0	6 798
Total revenues	71 093	43 386	0	114 479
Total operating expenses	87 182	52 318	30 290	169 790
Operating loss	-16 089	-8 932	-30 290	-55 312
Finance income	809	2 905	-116	3 599
Finance costs	1 171	2 099	7 654	10 924
Tax expense (income)	-2 917	-1 952	-1 939	-6 808
Loss after tax	-13 535	-6 173	-36 121	-55 829
Total assets	390 362	78 867	293 645	762 875
Total liabilities	33 244	3 835	54 576	91 655

** Other and eliminations comprises excess values on intangible assets and related depreciation and tax expense (income) derived from the consolidatation of the financial statements not allocated to the business segments. In addition, it comprises elimination of inter-company transactions and balances.*

REVENUES FROM SINGLE CUSTOMERS ABOVE 10% OF TOTAL REVENUES	2016
Danish Hydrogen Fuel A/S, Denmark (in Hydrogen fueling)	16 964

	PROPERTY, PLANT AND EQUIPMENT	
GEOGRAPHICAL AREA	2017	2016
Norway	4 889	4 886
Denmark	75 994	40 918
USA	15 315	0
Total	96 198	45 804

The allocation of property, plant and equipment is based on the geographical location of the assets.

Note 4 Public grants

(Amounts in NOK thousands)

		BOOKED AS SALES INCOME		BOOKED AS REDUCTION OF CAPITALIZED R&D		TOTAL PUBLIC GRANTS	
GRANTOR / TYPE OF GRANT:	COUNTRY	2017	2016	2017	2016	2017	2016
HyBoost	Denmark	307	0	0	9 600	307	9 600
HyBoost 2	Denmark	1 001	0	1 895	0	2 896	0
HyFAST EU	Denmark	2 707	15 799	0	0	2 707	15 799
H2ME1	Denmark	-1 064	4 036	0	0	-1 064	4 036
H2ME2	Denmark	4 917	0	0	5 970	4 917	5 970
Various grants in Nel Hydrogen A/S	Denmark	2 739	896	1 131	1 700	3 870	2 596
Norsk Forskningsråd	Norway	0	75	5 535	0	5 535	75
Various grants in Nel Hydrogen Electrolyser AS	Norway	0	300	253	0	253	300
US Department of Energy Research Grants	United States	6 214	0	0	0	6 214	0
US Department of Defense Research Grants	United States	929	0	0	0	929	0
Various grants in Proton OnSite	United States	5 670	0	0	0	5 670	0
Total		23 420	21 106	8 814	17 270	32 234	38 377

The group is unaware of any unfulfilled conditions associated with these public grants.

Note 5 Employee benefits

(Amounts in NOK thousands)

PERSONNEL EXPENSES	2017	2016
Salaries	94 193	42 657
Social security tax	7 140	3 160
Pension expense	5 113	3 454
Other payroll expenses*	23 574	10 994
Total	130 021	60 266

** Included here are expenses amounting to NOK 18 873 thousands (10 260 in 2016) related to the company's stock option- and stock purchase incentive programs.*

Average number of full time employees	160,0	74,6
Hereof women	28,0	8,9

PENSION

The parent company and the Norwegian subsidiaries have pension plans that meet the requirements of the Pension Act of Norway. The Danish and the US subsidiary have pension plans that meet their respective requirements.

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT 2017	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION*	TOTAL REMUNERATION
Jon Andrè Løkke, CEO**	2 532	938	21	422	3 912
Bent Skisaker, CFO	1 906	0	21	422	2 349
David T. Bow, SVP Sales and Marketing***	848	0	18	0	866
Bjørn Simonsen, VP Market Dev & PR	1 103	0	20	422	1 544
Mikael Sloth , VP Business Development	1 324	0	106	0	1 430
Anders Søreng, CTO and SVP Nel Hydrogen Electrolyser division	1 580	0	21	422	2 022
Jørn Rosenlund, SVP Nel Hydrogen Fueling division	1 647	0	132	0	1 779
Jacob Krogsgaard, SVP Nel Hydrogen Solutions divsions	2 066	517	165	93	2 841
Total	13 007	1 454	503	1 781	16 744

* *Other remuneration is mainly related to exercised matching shares.*
** *Jon Andrè Løkke has a six months notice period, plus is entitled to six months severence pay.*
*** *David T. Bow has had the role of SVP for sales and marketing since the Proton OnSite acquisition 30.06.2017.*

BOARD OF DIRECTORS 2017		REMUNERATION
Hanne Skaarberg Holen	- chair	250
Ole Enger		125
Beatriz Malo de Molina		125
Mogens Filtenborg		174
Finn Jebsen		125
Martin Nes	*- chairman of the board until 15.05.2017*	98
Eva Dugstad	*- board member until 15.05.2017*	49
Jan Christian Opsahl	*- board member until 15.05.2017*	49
Øystein Stray Spetalen	*- board member until 15.05.2017*	49
Anne Marie Gohli Russel	*- board member until 15.05.2017*	49
Kristin Hellebust	*- board member until 15.05.2017*	49
Total		1 140

The remuneration is on a pro-rata basis for 2017.

(Amounts in NOK thousands)

REMUNERATION OF MANAGEMENT 2016	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION	TOTAL REMUNERATION
Jon Andrè Løkke, CEO	2 298	0	29	0	2 327
Bent Skisaker, CFO*	667	0	0	0	667
Lars Christian Stugaard, CFO*	0	0	0	2 125	2 125
Anders Søreng, CTO**	741	0	17	72	830
Bjørn Simonsen, VP Market Dev & PR	896	0	16	0	913
Mikael Sloth , VP Business Dev	1 329	0	104	133	1 567
Total	5 931	0	167	2 330	8 428

Jon Andrè Løkke has a 6 months notice period, plus is entitled to 6 months severence pay.
* *Bent Skisaker commenced the position as CFO on 1 September 2016. Until then Lars Christian Stugaard served as CFO, hired in from Fernclif Tih 1 AS.*
** *Anders Søreng commenced the position as CTO on 1 May 2016.*

BOARD OF DIRECTORS 2016	REMUNERATION
Martin Nes - chairman	260
Øystein Stray Spetalen	130
Jon Christian Opsahl	130
Eva Dugstad	130
Ann Marie Russell	130
Kristin Hellebust	119
Mikael Sloth	130
Harald Arnet	15
Total	1 044

SHARE OPTIONS AND SUBSCRIPTION RIGHTS

Nel has issued share options and subscription rights / matching shares to management and employees. If the options are exercised, they will be settled in shares.

The following conditions apply:

(amounts in NOK thousands and number of options/shares in thousands)

NAME	NUMBER OF OPTIONS	EXERCISE	EXPIRY	STRIKE PRICE (NOK)	FAIR VALUE (NOK)	COST OF PERIOD
Jon Andrè Løkke	6 000	04.04.18	-	3,00	1.72	5 719
David Bow	666	30.06.18	28.09.18	1,85		-
David Bow	666	30.06.19	28.09.19	1,85		-
Total	7 333					5 719

NAME	NUMBER OF MATCHING SHARES	EXERCISE	EXPIRY	STRIKE PRICE (NOK)	FAIR VALUE (NOK)	COST OF PERIOD
Jon Andrè Løkke	200	June 2018	June 2018	-	2.13	214
Jon Andrè Løkke	109	June 2018	June 2018	-	2.56	147
Jon Andrè Løkke	109	June 2019	June 2019	-	2.56	66
Bent Skisaker	200	June 2018	June 2018	-	2.62	292
Bent Skisaker	109	June 2018	June 2018	-	2.56	147
Bent Skisaker	109	June 2019	June 2019	-	2.56	66
Bjørn Simonsen	200	June 2018	June 2018	-	2.13	214
Bjørn Simonsen	109	June 2018	June 2018	-	2.56	147
Bjørn Simonsen	109	June 2019	June 2019	-	2.56	66
Mikal Sloth	109	June 2018	June 2018	-	2.56	147
Mikal Sloth	109	June 2019	June 2019	-	2.56	66
Anders Søreng	200	June 2018	June 2018	-	2.13	214
Anders Søreng	109	June 2018	June 2018	-	2.56	147
Anders Søreng	109	June 2019	June 2019	-	2.56	66
Jørn Rosenlund	224	June 2018	June 2018	-	2.13	239
Jørn Rosenlund	109	June 2018	June 2018	-	2.56	146
Jørn Rosenlund	109	June 2019	June 2019	-	2.56	66
Jacob Krogsgaard	109	June 2018	June 2018	-	2.56	147
Jacob Krogsgaard	109	June 2019	June 2019	-	2.56	66
Other employees	4 209	June 2018	June 2018	-	2.13-2.62	4 793
Other employees	1 956	June 2019	June 2019	-	2.56	1 190
Total	8 717					8 640

**cost of period does not include social security*

IFRS 2 presumes that the fair value of the services expected to be received is the same as the fair value of the equity instruments granted at grant date.

Therefore, although the services are recognized over the vesting period, they are measured only once, at grant date, unless the arrangement is modified.

The fair value of options granted are calculated using the Black-Scholes model.
Fair value for the matching shares is equal to the share price at grant.

Input parameters for Black-Scholes option pricing model:

INPUT PARAMETERS FOR BLACK-SCHOLES OPTION PRICING MODEL:	
OPTION PROGRAMS:	
Jon André Løkke:	
Number of options granted:	6 000 000
Grant Date:	4 January 2016
Share price (spot):	NOK 4.67
Strike price:	NOK 5.46
Amendment date:	*30 August 2016*
Share price (spot):	NOK 2.44
Strike price:	NOK 3.00
Exercise:	4 April 2018
Expiry:	No expiry (In calculating the fair value of the options using the Black-Scholes model, it is assumed exercise of the options within two years after exercise date). The right to exercise the stock options is subject to that the employment agreement have not been terminated at the time of exercise.
Expected volatility:	60% (weighted average of peer group)
Assets drift (risk free interest rate):	0.78%
Expected dividends:	not applicable

Key employees Proton OnSite (Share options in Proton OnSite converted to options in Nel as part of the acquisition as of 30 June 2017):
Number of options: 10 276 636
All options were fully vested as of 30 June 2017.
Strike price (average): NOK 0.73
Exercise: 5 138 318 of the options become exercisable on 30 June 2018, 3 490 865 of the options become exercisable on 31 March 2019, and the remaining 1 647 454 options become exercisable 30 June, 2019. The options are exercisable for 90 days after exercise date.

SHARE PURCHASE PROGRAM / MATCHING SHARES:

Total number of shares subcribed for in the share purchase program were 2 720 064 in 2017 and 3 276 926 in 2016, respectively.

For each share subscribed by the employee in the share purchase program, the employee will receive 2 matching shares, 1 after 12 months after subscription and 1 after 24 months, respectively. Originally subscribed shares must be kept for the entire period in order for matching shares to be granted.

Note 6 Related parties

There were no significant transactions with related parties during the year ended 31 December 2017.

See also note 19 for transactions with associated companies and joint ventures.

Note 7 Construction contracts

(Amounts in NOK thousands)

SPECIFICATION OF ITEMS RELATED TO CONSTRUCTION CONTRACTS	2017	2016*
PROFIT & LOSS:		
Revenues	141 540	91 273
Costs of goods sold	92 504	64 090
Personnel cost	14 534	5 645
Other related costs	1 031	269
Gross contribution from construction contracts	33 471	21 268

** The 2016 amounts in the profit & loss have been adjusted from the 2016 annual report for comparison purposes.*

ASSETS:		
Accounts receivables	38 505	11 421
Prepayments to suppliers	11 282	-
Accrued project progress	22 630	8 575
Total	72 418	19 996
LIABILITIES:		
Prepayments from customers	64 998	21 002
Cost provision	12 723	4 490
Total	77 721	25 492

WORK IN PROGRESS:

There is one significant project using the percentage of completion method to measure progress in work in progress as of 31.12.2017: That project has a total contract value NOK 155.6 million and has recognized revenues of NOK 17.5 million representing a completion rate of 12%.

Note 8 Specification of operating expenses

(Amounts in NOK thousands)

SPECIFICATION OF OTHER OPERATING EXPENSES:	2017	2016
Electricity	4 569	2 182
Office premises etc.	9 873	2 103
Rental costs	395	2 244
Administrative	25 182	10 842
Professional fees	26 328	15 073
Patent costs	368	0
Travel expenses	11 022	5 606
IT and communication costs	7 272	0
Laboratory costs	954	203
Total other operating expenses	85 962	38 253

FEES TO THE AUDITOR	2017	2016
Statutory auditing services	1 512	1 498
Attestation services	979	484
Non-auditing services	1 270	164
Total	3 762	2 146

Amounts are exclusive VAT.

Note 9 Taxes

(Amounts in NOK thousands)

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2017	2016
Nominal tax rate	*24 %*	*25 %*
Loss before tax	-124 447	-62 637
Tax this years loss estimated	-29 867	-15 659
Tax effect of:		
Tax rates different from Norway (22% in Denmark, 34% in the US)	-312	257
Permanent differences	-1 839	3 287
Change in tax rates recognized in temporary differences	-48 642	1 401
Change in not-recognized deferred tax assets (tax liabilities)	10 715	3 629
Currency translation differences and other adjustments	-2 055	278
Total income tax expense (revenue)	-72 000	-6 808
Income tax expense (revenue) comprises		
Income tax payable	0	0
Change in deferred tax	-72 000	-6 808
Total income tax expense (revenue)	-72 000	-6 808
Specification of temporary differences:		
Receivables	-1 500	-874
Customers contracts	4 862	12 562
Intangible assets	388 686	53 492
Tangible assets	8 799	235
Inventory and work in progress	20 561	23 521
Warranties	-7 811	0
Other accruals	-6 930	-5 714
Tax losses carry forward	-730 505	-446 535
Basis for deferred tax asset	-323 838	-363 314
Net deferred asset	-83 856	-87 102
Deferred tax asset not recognized in statement of financial position	-152 129	-100 654
Deferred tax liability (asset) in the statement of financial position	68 273	13 552
Changes in recognized deferred tax liability (asset)		
As of 01.01.2017	13 552	21 027
Recognized in the income statement	-72 000	-6 808
Acquisition Proton OnSite	129 283	0
Translation differences on deferred taxes	-2 055	278
Effect of change in tax rates	0	-565
Other	-507	-380
As of 31.12.2017	68 273	13 552

At the end of 2017 a new tax act was adopted in the US that reduced the corporate tax rate from 38% to 21%, effective from January 1, 2018. This change in the corporate tax rate alone represents a positive effect of NOK 53.2 million (out of total positive tax income of NOK 72.0 million) in 2017. The NOK 53.2 million tax income is a result of a reduced deferred tax liability related to the excess values allocated to identifiable intangible assets in the purchase price allocation of the Proton acquisition.

The majority of the deferred tax asset is related to tax loss carry forward. As of 31.12.2017 it is deemed not probable that it can be utilized in near future. Due to this most of the deferred tax asset has not been capitalized.

Note 10 Long term debt and pledges

(Amounts in NOK thousands)

LONG TERM LOANS - LENDER	LEGAL ENTITY	MATURITY	INTEREST RATE	2017	2016
1) DNB Bank AS	New Nel Hydrogen Eiendom AS	July 2024	6,25 %	0	3 000
2) Innovasjon Norge	Nel Hydrogen Electrolyser AS	July 2019	5,75 %	1 250	1 667
3) Nykredit	Nel Hydrogen A/S	2028	1,18 %	5 288	5 303
Total long term loans				6 538	9 970
LONG TERM WARRANTIES					
Warranties related to service obligations on delivered projects		12-24 months after delivery		7 672	2 580
Other warranty obligations				196	0
Total long term warranties				7 868	2 580
OTHER LONG TERM DEBT					
Notes payable to shareholder				15 910	0
Deferred rent				3 807	0
Total other long term debt				19 717	0
Total long term debt				34 122	12 550

MATURITY ANALYSIS FOR LONG TERM LOANS:	2018	2019	2020	2021	2022<	TOTAL
2) Innovasjon Norge	833	417	0	0	0	1 250
3) Nykredit	334	312	309	305	4 028	5 288
Estimated interest cost *	61	51	43	39	303	497
Total long term loans & interest payments	1 228	779	352	345	4 331	7 035

** Based on prevailing debt installment agreements and interest rates.*

CARRYING AMOUNT OF ASSETS THAT ARE PLEDGED	2017	2016
Account receivables	12 001	22 872
Fixed assets	654	875
Inventory	22 159	9 721
Building	5 288	3 598
Total	40 101	37 066

GUARANTEES	2017	2016
Bank guarantees	3 925	4 490

The bank guarantee applies to advance payments from customers.

CASH CREDIT FACILITIES	2017	2016
Cash credit limits:	2 644	17 111

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long term fixed rate and variable rate receivables/borrowings are evaluated by the group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

The fair values of the group's interest-bearing borrowings and loans are estimated not to be significant from nominal value thus fair value is equal.

Note 11 Intangible assets

(Amounts in NOK thousands)

	TECHNOLOGY	CUSTOMER RELATIONSHIP	CUSTOMER CONTRACT	GOODWILL	TOTAL
Acquisition cost as of 01.01.2016	51 158	35 830	9 600	332 958	429 546
Additions	13 336	0	0	0	13 336
Reclassification	4 101	0	0	-4 101	0
Currency effects	-1 590	-147	0	-10 762	-12 499
Acquisition cost as of 31.12.2016	67 004	35 684	9 600	318 096	430 383
Acquisition Proton OnSite	261 689	59 043	19 489	257 698	597 918
Additions	35 351	0	0	0	35 351
Currency effects	-871	-925	-503	16 409	14 110
Acquisition cost as of 31.12.2017	363 173	93 801	28 586	592 202	1 077 762
Accumulated depreciation at 01.01.2016	4 513	4 261	9 600	0	18 374
Depreciation	4 829	3 569	0	0	8 398
Impairment	0	0	0	467	467
Currency effects	-193	-7	0	0	-200
Accumulated depreciation and impairment as of 31.12.2016	9 150	7 823	9 600	467	27 040
Depreciation	15 172	7 649	9 411	0	32 231
Currency effects	341	0	0	0	341
Accumulated depreciation and impairment as of 31.12.2017	24 663	15 472	19 011	467	59 612
Carrying amount as of 31.12.2016	57 854	27 861	0	317 629	403 344
Carrying amount as of 31.12.2017	338 510	78 329	9 575	591 735	1 018 150
Useful life	7 -15 years	7 -10 years	1 year	no depreciation	
Depreciation plan	Straight-line	Straight-line	Straight-line		

The addition of goodwill in 2017 relates to the acquisition of Proton OnSite (CGU Electrolyser US) that added goodwill of NOK 257.7 million. See note 21, business combinations for more details.

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES - IMPAIRMENT CONSIDERATIONS

The group performed its annual impairment test in December 2017 and 2016, respectively. The group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As of 31 December 2017, the market capitalization of the group was 2.4 times above the book value of equity, indicating no impairment of goodwill and impairment of the assets.

The impairment test is performed on three Cash Generating Units (CGUs). Goodwill and intangible assets are related to CGU Electrolyser Norway, CGU Electrolyser US and CGU Fueling & Solutions and a recoverable amount has been calculated for these three CGUs. The recoverable amount is based on a value-in-use calculation, using cash flow projections of the CGUs which are based on the future expectations reflected in the current budget and strategy over the next 5 year period. The budget and strategy forecasts are approved by the board. Terminal value is included in the calculations. Estimates and pertaining assumptions are made to the best of the management's knowledge of historical and current events, experience and other factors that are deemed reasonable in the circumstances.

The calculations of value-in-use for CGU Electrolyser Norway, CGU Electrolyser US and CGU Fueling & Solutions are most sensitive to the following assumptions:

- Revenue forecasts and EBITDA margins
- Discount rate / Weighted average cost of capital (WACC)

Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC considers the cost of debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest bearing borrowings the group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future cash flows in order to reflect a pre-tax discount rate.

CGU ELECTROLYSER US

Allocated goodwill is NOK 253.2 million, intangible assets is NOK 315.6 million and other net assets is NOK 83.7 amounting to a carrying value for this CGU of NOK 652.7 million.

The growth in the terminal values for CGU Electrolyser US is 2,0%, in accordance with the long-term inflation target set by the Federal Reserve.

A sensitivity analysis has been carried out, which indicates low to moderate sensitivity to changes in WACC and EBITDA. In the range is +/-2% in EBITDA and +/-1% in WACC the estimated equity value is higher than the carrying value of assets.

"Headroom" sensitivty *(amounts in NOK million)*		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-2.0%	-0.5%	0.0%	0.5%	2.0%
CHANGES IN WACC	-1.0%	108.8	248.7	295.3	341.9	481.6
	-0.5%	90.2	227.6	273.3	319.1	456.1
	0.0%	72.2	207.0	**251.9***	296.8	431.3
	0.5%	54.6	186.9	231.0	275.1	407.1
	1.0%	37.4	167.3	210.6	254.0	383.6

** Represents headroom in impairment calculation for the CGU.*

Revenue forecasts are based on existing customer contracts and anticipated developments within the markets the CGU operates in. Forecasted revenues are dependent on the assumptions underlying, and changes in assumptions will affect the future value of the unit. It should be emphasized that the impairment test is based on an compounded growth rate of 31% from 2017-2023. In addition, the EBITDA margin is expected to improve gradually throughout the period to a level deemed reasonable and achievable.

It is used an estimated WACC of 10.1% in the impairment calculation for the CGU Electrolyser US.

CGU ELECTROLYSER NORWAY

Allocated goodwill is NOK 61.4 million, intangible assets is NOK 64.7 million and other net assets is NOK 27.0 amounting to a carrying value for this CGU of NOK 153.1 million.

The growth in the terminal values for CGU Electrolyser Norway is 2,0%, in accordance with the long-term inflation target set by the Norwegian Central Bank.

A sensitivity analysis has been carried out, which indicates low to moderate sensitivity to changes in WACC and EBITDA. In the range is +/-2% in EBITDA and +/-1% in WACC the estimated equity value is higher than the carrying value of assets.

"Headroom" sensitivty *(amounts in NOK million)*		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-2.0%	-0.5%	0.0%	0.5%	2.0%
CHANGES IN WACC	-1.0%	170.3	228.4	247.7	267.1	325.2
	-0.5%	162.7	219.7	238.7	257.7	314.6
	0.0%	155.3	211.2	**229.8***	248.5	304.4
	0.5%	148.1	202.9	221.2	239.5	294.3
	1.0%	141.1	194.9	212.8	230.8	284.6

** Represents headroom in impairment calculation for the CGU.*

Revenue forecasts are based on existing customer contracts and anticipated developments within the markets the CGU operates in. Forecasted revenues are dependent on the assumptions underlying, and changes in assumptions will affect the future value of the unit. It should be emphasized that the impairment test is based on an compounded growth rate of 40% from 2017-2023. In addition, the EBITDA margin is expected to improve gradually throughout the period to a level deemed reasonable and achievable.

The forecasted revenue growth as of 31.12.2017 is higher than the revenue growth forecasted as of 31.12.2016, while forecasted EBITDA margins is at a slightly lower level. Changes in projections are primarily due to an increased belief in the future prospects of the company's products and more diligent analysis of future cost levels.

It is used an estimated WACC of 9.5% in the impairment calculation for the CGU Electrolyser NO.

CGU FUELING & SOLUTIONS

Allocated goodwill is NOK 277.1 million, intangible assets is NOK 47.2 million and other net assets is NOK 62.7 million amounting to a carrying value for this CGU of NOK 387.1 million.

The growth in the terminal value for CGU Fueling is 2.0 %, in accordance with the long-term inflation target set by the Danish Central Bank.

A sensitivity analysis has been carried out, which indicates a relatively high sensitivity to changes in WACC and EBITDA margin. The presented ranges in the sensitivity matrix yield impairment at relatively small changes to WACC and EBITDA. The range is +/-2% in EBITDA and +/-1% in WACC.

"Headroom" sensitivty (amounts in NOK million)		PERCENTAGE CHANGE IN EBITDA MARGIN				
		-2.0%	-0.5%	0.0%	0.5%	2.0%
CHANGES IN WACC	-1.0%	-150.8	-7.1	40.9	88.8	127.1
	-0.5%	-157.8	-16.8	30.2	77.2	114.9
	0.0%	-164.6	-26.4	**19.7***	65.8	102.9
	0.5%	-171.3	-35.7	9.5	54.7	91.3
	1.0%	-177.7	-44.7	-0.4	44.0	79.9

** Represents headroom in impairment calculation for the CGU.*

Negative numbers in the table indicates impairment

Revenues are based on existing customer contracts and anticipated developments within the markets the CGU is in. Operating revenues are dependent on the assumptions underlying, and changes in assumptions will affect the future value of the unit. Annual revenues are expected to increase in 2018 and onwards.It should be emphasized that the impairment test is based on an compounded growth rate of 37% from 2017-2023. In addition, the EBITDA margin is expected to improve gradually throughout the period to a level deemed reasonable and achievable.

The forecasted revenue growth as of 31.12.2017 is in line with growth forecasted as of 31.12.2016, while forecasted EBITDA margins is at a slightly lower level. Changes in projections are primarily due to a more diligent analysis of future cost levels.

It is used an estimated WACC of 8.3% in the impairment calculation for the CGU Fueling & Solutions.

Note 12 Property, plant and equipment

(Amounts in NOK thousands)

	OFFICE MACHINES AND OTHER EQUIPMENT	PRODUCTION EQUIPMENT	BUILDINGS	TECHNICAL INSTALLATIONS	TOTAL
Acquisition cost as of 01.01.2016	303	1 606	14 096	1 141	17 146
Additions	343	0	29 238	1 590	31 170
Disposals	0	0	-37	0	-37
Reclassification	0	-634	634	0	0
Currency effects	0	0	-791	0	-791
Acquisition cost as of 31.12.2016	645	972	43 140	2 731	47 488
Acquisition Proton into group in 2017	16 546	12 386	0	0	28 932
Additions	1 565	3 367	29 031	2 585	36 548
Reclassification	-1 909	0	0	-52	-1 961
Currency effects	-303	-150	4 821	554	4 922
Acquisition cost as of 31.12.2017	16 545	16 575	76 991	5 818	115 930
Accumulated depreciation at 01.01.2016	185	70	342	19	616
Depreciation	156	180	613	384	1 334
Reversed depreciation	0	0	0	-37	-37
Currency effects	0	0	-229	0	-229
Accumulated depreciation as of 31.12.2016	341	250	726	367	1 685
Acquisition Proton into group in 2017	8 641	5 391	0	0	14 032
Depreciation	989	1 170	1 038	539	3 736
Currency effects	-135	-73	173	312	277
Accumulated depreciation as of 31.12.2017	9 837	6 738	1 937	1 218	19 730
Carrying amount as of 31.12.2016	304	721	42 413	2 365	45 804
Carrying amount as of 31.12.2017	6 708	9 837	75 055	4 600	96 199
Useful life	3-5 years	3-8 years	30-40 years	15-20 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	

Impairment consideration is covered in note 11 Intangible assets.

Note 13 Inventory

(Amounts in NOK thousands)

	2017	2016
Finished goods	33 070	5 518
Work in progress	36 904	13 185
Raw material	69 570	17 564
Allowance for obscolete inventory	-821	0
Total inventory	138 723	36 266

Inventory is valued at the lowest of cost and net selling price. As of 31.12.17 inventory is measured at cost.

Note 14 Cash and cash equivalents

(Amounts in NOK thousands)

	2017	2016
Free cash	278 676	220 665
Restricted bank deposits for employees' withheld taxes at 31.12.	1 452	753
Other restricted bank accounts*	14 872	4 049
Total cash and cash equivalents	295 000	225 467

* *NOK 9.9 million relates to outstanding irrevocable letters of credit used as assurance for bid and contract performance, these letters of credit mature between May 15 2018 and December 1, 2021.*
NOK 5.0 million is restricted related to issued bank guarantees.

Note 15 Share capital and shareholders

As of December 31 2017 the group's share capital was NOK 199.7 million, consisting of 998 714 952 shares each with a nominal value of NOK 0.20.

The group has only one share class and no special regulations relating to the shares. One share thus confers one vote.

SHAREHOLDERS AS OF 31.12.2017	NUMBER OF SHARES	OWNERSHIP
F9 Investments LLC	146 138 713	14.63 %
H2 Holding APS	63 377 778	6.35 %
Verdipapirfondet Alf Berg Gambak	34 153 370	3.42 %
Nordnet Livsforsikring AS	31 041 055	3.11 %
Nordea Bank AB	27 702 998	2.77 %
Clearstream Banking S.A	16 845 595	1.69 %
Lms Holdco AS	15 500 000	1.55 %
Jemo Invest AS	15 500 000	1.55 %
Elmo Holding AS	13 560 000	1.36 %
Nordnet Bank AB	13 266 793	1.33 %
Mamy Invest AS	13 217 360	1.32 %
Seb Prime Solutions Sissener	10 000 000	1.00 %
Netfonds Livsforsikring AS	8 334 415	0.83 %
First Generator	7 488 000	0.75 %
Storebrand Vekst Verdipapirfond	6 592 983	0.66 %
JPMorgan Chase Bank	6 443 435	0.65 %
Credit Suisse Securities	6 215 944	0.62 %
Statoil Pensjon	6 005 681	0.60 %
Carnegie Investment Bank AB	5 813 493	0.58 %
Danske Bank A/S	5 309 834	0.53 %
Total 20 largest shareholders	452 507 447	45.31 %
Total remaining shareholders	546 207 505	54.69 %
Total number of shares	998 714 952	100.00 %

Nel ASA owns 1 520 743 treasury shares and an additional 252 707 treasury shares through its subsidiary Nel Hydrogen Electrolyser AS.

SHARES OWNED BY BOARD OF DIRECTORS	ASSIGNMENT	NUMBER OF SHARES	OWNERSHIP
Hanne Skaarberg Holen	Chair of Board	260 000	0.03 %
Ole Enger	Board member	140 000	0.01 %
Beatriz Malo de Molina	Board member	0	0.00 %
Mogens Filtenborg [1)]	Board member	1 813 493	0.18 %
Finn Jebsen [2)]	Board member	300 000	0.03 %
Total		2 513 493	0.25 %

[1)] Represents Zuns ApS
[2)] Represents Fateburet AS

SHARES OWNED BY MANAGEMENT	ASSIGNMENT	NUMBER OF SHARES	OWNERSHIP
Jon André Løkke	CEO	757 159	0.08 %
Bent Skisaker	CFO	430 159	0.04 %
David T. Bow	SVP Sales and Marketing	0	0.00 %
Bjørn Simonsen [1)]	VP market dev and PR	2 035 928	0.20 %
Mikael Sloth [2)]	VP Business Development	21 732 380	2,18 %
Anders Søreng [3)]	CTO and SVP Nel Hydrogen Electrolyser division	430 159	0.04 %
Jørn Rosenlund	SVP Nel Hydrogen Fueling division	334 974	0.03 %
Jacob Krogsgaard [2)]	SVP Nel Hydrogen Solutions division	21 732 380	2,18 %
Total		47 453 140	4.75 %

[1)] Represents Simonsen Invest
[2)] Mikael Sloth and Jacob Krogsgaard owns 109 217 shares personally. In addition, they each own a 25% share of H2 Holding ApS that owns in total 86 492 653 shares.
[3)] Represents A.S. Consulting Gjøvik AS

Refer to note 5 - Employee benefits, for informations of options and subscription rights granted to management.

There were no dividends paid out in 2017 or 2016.

Note 16 Lease commitments

The company has entered into the following lease agreements of significance:

(Amounts in NOK thousands)

RENTAL/LEASE AGREEMENTS	ENTITY	MATURITY	2018	2019-2022	2023 <
Rent at Heddalsvegen 11, Notodden, Norway	Nel Hydrogen Electrolyser AS	July 2018	332	0	0
Rent at Karenslyst Allé, Oslo, Norway	Nel ASA	November 2021	771	2 055	0
Rent - Wallingford, CT. USA (Hworld)	Proton Energy Systems Inc	July 2024	7 141	30 022	11 866
Rent - San Leandro, CA. USA (VPS Marina)	Proton Energy Systems Inc	October 2020	984	1 804	0
Operational lease agreements at NEL Hydrogen A/S, Denmark:					
IT systems		October 2018	793	0	0
Cars		March 2019 - October 2020	591	974	0
Office machines		November 2022	15	57	0
Operational lease agreements at Proton Energy Systems Inc, USA:					
Office machines		January 2021	177	354	0
Total			10 804	35 267	11 866

Note 17 Accounts receivable

As of 31 December the ageing analysis of accounts receivable is as follows:

			PAST DUE BUT NOT IMPAIRED				
	TOTAL	NEITHER PAST DUE NOR IMPAIRD	<30 DAYS	30-60 DAYS	61-90 DAYS	91-180 DAYS	>180 DAYS
2016	34 974	20 439	7 837	1 187	274	-284	5 521
2017	98 747	20 264	36 476	7 941	3 928	24 970	5 166

BAD DEBTS:	2017	2016
Allowance for bad debts	1 955	1 034

See Note 23 on credit risk of accounts receivable, which explains how the group manages and measures credit quality of accounts receivable that are neither past due nor impaired.

Note 18 Other current assets and liabilities

(Amounts in NOK thousands)

SPECIFICATION OF OTHER CURRENT ASSETS:	2017	2016
Work in progress, net receivable	30 814	344
VAT net receivable	2 806	756
Prepayments	12 333	0
Miscellaneous receivables	7 816	2 213
Total other current assets	53 768	3 312

SPECIFICATION OF OTHER CURRENT LIABILITIES:	2017	2016
Credit facilities	305	1 522
Work in progress, net payable	72 767	30 001
Vacation allowance and other salary related accruals	21 069	8 191
Conditional liability reg. acquisition of Rotoboost AS	0	3 750
Accrued warranty	5 734	0
Deferred revenue	40 079	0
Other current liabilities	6 003	3 582
Total other current liabilities	145 957	47 046

Note 19 Investments in associated companies and joint ventures

(Amounts in NOK thousands)

					ACQUISITION VALUES		CARRYING VALUES	
COMPANY:	COUNTRY	SEGMENT	OWNERSHIP		2017	2016	2017	2016
Sagim SAS	France	Electrolyser	37.03 %	Associate	100	100	100	100
Glomfjord Hydrogen AS	Norway	Electrolyser	28.57 %	Associate	200	200	200	200
Uno-X Hydrogen AS	Norway	Fueling & Solutions	39.00 %	Joint venture	15 737	15 737	7 826	13 408
Danish Hydrogen Fuel A/S*	Denmark	Fueling & Solutions	51.50 %	Associate	16 144	15 284	0	0
Hyon AS	Norway	Fueling & Solutions	33.33 %	Joint venture	1 510	0	1 059	0
Nel Deokyang Co.Ltd	South Korea	Fueling & Solutions	50.00 %	Joint venture	7 124	0	6 898	0
Íslenska Vetnisfélagið	Iceland	Fueling & Solutions	50.00 %	Joint venture	409	0	409	0
Total					41 224	31 322	16 492	13 708

* *shareholders agreement states that no owner can vote for more than 49.99% of the votes, entity considered to be an associate.*

During 2017, the group entered into three joint ventures agreements. Hyon AS that primarily targets the maritime transportation sector was established together with Hexagon Composites ASA and Powercell Sweden AB, each party owns an equal 33.33% share of the company.

Nel Deokyang Co. Ltd that targets the South Korean hydrogen market was established together with Deokyang Co. Ltd were each party owns 50% of the company. The agreement states that the company is operated as a joint venture.

In connection with the Skeljungur project it is established a joint venture in Iceland that will operate the planned three fueling stations to be installed there. This joint venture will be in operation from 2018 and no expenses has been incurred in 2017.

Sagim SAS and Glomfjord Hydrogen AS does not have significant activity in 2017.

Uno-X Hydrogen AS was in 2016 partly sold and Nel ASA reduced its ownership from 100% tol 39%. Uno-X Hydrogen AS is a joint venture.

KEY FIGURES FROM SIGNIFICANT JOINT VENTURES/ASSOCIATES	DANISH HYDROGEN FUEL AS		UNO-X HYDROGEN AS	
	2017	2016	2017	2016
Current assets	6 027	12 174	2 421	22 586
Non-current assets	0	0	43 658	9 502
Current liabilities	2 781	5 159	7 777	36 000
Non-current liabilities	29 162	29 794	45 353	779
Equity	-25 916	-22 778	-7 051	-1 557
Group's carrying amount of the investment	0	0	7 826	13 408
Revenues	489	642	303	19
Depreciations	0	9 349	1 779	146
Other costs	1 520	2 219	3 086	1 251
Net financial items	-185	-371	-922	-209
Loss before tax	-1 216	-11 297	-5 485	-1 587
Tax costs	0	0	0	0
Net loss	-1 216	-11 297	-5 485	-1 587
Group's share of loss for the year	-626	-5 818	-2 139	-729
Groups share of loss for the year not recognized*	-626	-5 215	0	0
Elimination of internal profit related to sale to DHF and Uno-X**	-815	0	-3 443	-1 600
Share of loss from an associate	-815	-603	-5 582	-2 329

* *The group does not recognize its share of losses if this means that the carrying amount of the investment becomes negative (including unsecured receivables).*

** *Sale from Nel Hydrogen A/S to Danish Hydrogen Fuel A/S and Uno-X Hydrogen AS is recognized with 100 % in sales income in the consolidated statement of comprehensive income, and the elimination of internal profit related to the sales is included in the share of loss from an associate under the net financial items in the consolidated statement of comprehensive income.*

The entities Sagim SAS, Glomfjord Hydrogen AS, Hyon AS, Nel Deokyang Co.Ltd and Íslenska Vetnisfélagið are not considered to be significant.

	SAGIM SAS	GLOMFJORD HYDROGEN AS	DANISH HYDROGEN FUEL AS	UNO-X HYDROGEN AS	HYON AS	NEL DEOKYANG CO.LTD	ÍSLENSKA VETNISFÉLAGIÐ	TOTAL
As of 01.01.2017	100	200	0	13 408	0	0	0	13 708
Added capital in 2017	0	0	815	0	1 510	7 124	409	9 858
Share of loss from an associate/joint venture	0	0	-815	-5 582	-451	-226	0	-7 074
As of 31.12.2017	100	200	0	7 826	1 059	6 898	409	16 492

Note 20 Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

COMPANY	LOCATION	MAIN OPERATIONS	CONSOLIDATED FROM:	OWNERSHIP/ VOTES 2017	OWNERSHIP/ VOTES 2016
New Nel Hydrogen Holding AS	Notodden, Norway	Investment		100 %	100 %
Nel Hydrogen Electrolyser AS	Notodden, Norway	Hydrogen		100 %	100 %
New Nel Hydrogen Eiendom AS	Notodden, Norway	Real estate		100 %	100 %
New Nel Hydrogen P60 AS	Notodden, Norway	Hydrogen		100 %	100 %
Rotoboost H2 AS	Notodden, Norway	Product Development	30.09.2015	100 %	100 %
Nel Hydrogen A/S (DK)	Herning, Denmark	Hydrogen fueling stations	30.06.2015	100 %	100 %
Nel Fuel AS	Oslo, Norway	Investment		100 %	100 %
Proton Energy Systems Inc	Wallingford, Connecticut, USA	Hydrogen	30.06.2017	100 %	100 %

Note 21 Business combinations

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. In the consolidated profit & loss statement Proton OnSite is included from third quarter 2017.

The transaction represents an increased focus on the hydrogen electrolyzer segment and provides the group with alternative technologies.

(Amounts in NOK thousands)

COST OF BUSINESS COMBINATION	SHARES ACQUIRED	AMOUNT
Agreed purchase price	100 %	519 495
Due to Nel ASA		12 575
Book value equity		38 293
Excess value		468 627
Goodwill pre-acquisition		-
Excess value to be allocated		468 627
Excess value is allocated to:		-
Intangible assets:		
Customer contracts		19 489
Customer relationships		59 043
Technology		261 689
Deferred tax (38%)		-129 284
Total allocated to identifiable intangible assets:		210 937
Goodwill*		257 690

* *The acquired goodwill comprises the value of expected synergies and potential for increased market share and revenues. None of the goodwill recognized is expected to be deductible for income tax purposes.*

Note 22 Earnings per share

Earnings per share is calculated as profit/(loss) attributable to the equity holders of the parent company divided by the average number of shares outstanding.

Diluted earnings per share is affected by the option program for the CEO that is considered to be "in the money", matching shares expected to be distributed to employees in 2018 and 2019, and options owned by Proton personell that was awarded when Nel aqcuired Proton OnSite.

(Amounts in NOK thousands)

	2017	2016
Net loss attributable to the equity holders of the company and for the purpose of diluted shares	-52 447	-55 829
Weighted average number of shares outstanding for the purpose of basic earnings per share	835 625	682 254
Basic earnings per share for loss attributable to the equity holders of the company (NOK)	-0.063	-0.082
EFFECT OF POTENTIAL DILUTIVE SHARES:		
Weighted average number of shares outstanding for the purpose of diluted earnings per share	857 899	682 254
Diluted earnings per share for loss attributable to the equity holders of the company (NOK)	-0.061	-0.082

Note 23 Risk

RISKS RELATING TO THE AQUISITION OF PROTON ONSITE

The Company has recently acquired Proton Energy Systems Inc., and may carry out further acquisitions in the future. Any acquisition entails certain risks, including operational and company-specific risks. There is always a risk that the integration process could take longer or be more costly than anticipated. If this is the case, this may have a negative impact on the group's business, financial position and results of operation.

OPERATIONAL RISK FACTORS

Technological change

There are risks associated with technological change, both related to technology elements within the field of hydrogen as well as technology elements outside hydrogen that potentially could make hydrogen less relevant for the future. Additionally, if competitors gain advantages in the development of alternative technologies, this could affect the competitive position of the company

The market for Nel's electrolyzer and hydrogen refueling products and services is subject to technological change. The success of the company depends on the timely perception of new trends, developments and customer needs, constant further development of engineering expertise and ensuring that the portfolio of products and services keep pace with technological developments. This presents the risk that competitors may launch new products and services earlier or at more competitive prices or secure exclusive rights to new technologies. If these circumstances materialize, it may have a significant adverse effect on the company's business, prospects, financial results or results of operations. The efficiency of hydrogen, the so-called "well-to-wheel", is typically lower than that of battery technologies. A higher price for renewable power could consequently negatively affect the demand for hydrogen technologies.

Intellectual property rights

Nel relies upon intellectual property and trade secret laws and contractual restrictions to protect important proprietary rights, and, if these rights are not sufficiently protected, its ability to compete and generate revenue could suffer significantly. Nel seeks to protect important proprietary manufacturing processes, documentation and other written materials, and other intellectual property primarily under patent, trade secret and copyright laws. It also typically requires employees, consultants and companies that have access to its proprietary information to execute confidentiality agreements. The steps taken by Nel to protect its proprietary information may not be adequate to prevent misappropriation of its technology. In addition, Nel's proprietary rights may not be adequately protected because:

- people may not be deterred from misappropriating its technologies despite the existence of laws or contracts prohibiting misappropriation;
- policing unauthorized use of Nel's intellectual property is difficult, expensive and time-consuming, and the group may be unable to determine the extent of any unauthorized use; and
- the laws of certain countries in which the group markets or plans to market its products may offer little or no protection for its proprietary technologies.

Unauthorized copying or other misappropriation of Nel's proprietary technologies could enable third parties to benefit from its technologies without paying for doing so. Any inability to adequately protect its proprietary rights could harm the group's ability to compete, to generate revenue and to grow its business. This could have a significant adverse effect on the group's business, prospects, financial results and results of operations.

Some of the group's patents are due to expire within the next couple of years which means that the group will lose the sole right to certain technology in certain areas. Although the company believes that this will have little effect on the company's competitive position, no assurance can be made to this point.

The group may not obtain sufficient patent protection on the technology embodied in its products and production processes, which could significantly harm its competitive position and increase its expenses significantly. Nel's patent applications may not result in issued patents, and even if they result in issued patents, the patents may not have claims of the scope that Nel seeks. In addition, any issued patents may be challenged, invalidated or declared unenforceable, or a competitor may have filed similar patent applications as Nel's present and future patents. Patents may provide only limited protection for its technology and may not be sufficient to provide competitive advantages. For example, competitors could be successful in challenging any issued patents or, alternatively, could develop similar or more advantageous technologies on their own or design around the group's patents. Also, patent protection in certain countries may not be available or may be limited in scope and any patents obtained may not be as readily enforceable as in all jurisdictions, making it difficult for the group to effectively protect its intellectual property from misuse or infringement by other companies in these countries. Any inability to obtain and enforce intellectual property rights in some countries could have a significant adverse effect on the group's business, prospects, financial results and results of operations. In addition, given the costs of obtaining patent protection and the sometimes limited potential for protection, the group may choose not to protect certain innovations that later turn out to be important. There is also a general risk that the group receives information subject to confidentiality agreements, regarding other parties' know-how and trade secrets in relation to technology which may hinder the group from development of similar intellectual assets.

Disputes
Nel could get involved in intellectual property disputes that could be time-consuming and costly and could result in loss of significant rights and/or penalties such as loss of freedom to operate. From time to time, the group, its customers or third parties with whom the group works may receive claims, including claims from various industry participants, alleging infringement of their patents.

Irrespective of this, the company has received a proposal for entering into a license agreement and the company is currently assessing the relevance of such license, and depending on the outcome of this assessment it cannot be ruled out that a dispute may arise. Nel has certain registered trademarks and has applied for registration of certain trademarks. Although Nel does not consider registration of trademarks to be critical in the marketing of its products, and that the present use of such trademarks to Nel's knowledge most likely does not violate any third party's rights, there can be no guarantee that no third party will be successful in claiming damages from Nel and/or in stopping Nel from using such trademarks in the relevant jurisdiction, in which case it could harm Nel's ability to compete, generate revenue and to grow its business.

Although the group is currently not aware of infringement of the group's intellectual property by other parties, it cannot guarantee that such infringement does not currently exist or will not occur in the future. To protect its intellectual property rights and to maintain its competitive advantage, the group may file suits against parties who it believes are infringing its intellectual property. Intellectual property litigation is expensive and time consuming, could divert management's attention from the group's business and could have a material adverse effect on the group's business, prospects, financial results or results of operations. In addition, the group's enforcement efforts may not be successful.

Key personnel
The successful development and performance of the group's business depends on the group's ability to attract and retain skilled professionals with appropriate experience and expertise. Further, if the group loses the service of its senior management or key personnel, it may not be able to execute its business strategy. There is no assurance, however, that the group will be able to attract or retain such personnel on acceptable terms or at all. Any failure to attract or retain such personnel could have a material and adverse effect on the group's business and operations.

The success of the group depends on qualified executives and employees, in particular certain executive officers of the group and employees with research and development expertise. The loss of executives, key employees in the area of research and development, or other employees in key positions could have a material adverse effect on the market position and research and development expertise of the group. Considerable expertise could be lost or access thereto gained by competitors. Post-contractual prohibitions on competition exist only for certain members of the group's management and despite the existence of such post-contractual prohibitions, no assurance can be given that such prohibitions will be complied with or, if breached, can be enforced effectively. Due to competition, there is a risk that qualified employees will be attracted by competitors and that the group will be unable to find a sufficient number of appropriate new employees. There can be no assurance that the group will be successful in retaining these executives and the employees in key positions or in hiring new employees with corresponding qualifications. If the group fails to do so, it could have a significant adverse effect on the group's business, prospects, financial results and results of operations.

Adverse publicity
Product liability claims against the group could result in adverse publicity and potentially monetary damages. It is possible that its products could result in injury, whether by product malfunctions, defects, improper installation or other causes. Nel cannot predict whether or not product liability claims will be brought against it or the effect of any resulting negative publicity on its business. Moreover, the group may not have adequate resources in the event of a successful claim against it. The successful assertion of product liability claims against the group could result in potentially significant monetary damages, which could have a significant adverse effect on the group's business, prospects, financial results and results of operations.

Dependence of third parties in manufacturing
The group's electrolyzer and hydrogen refueling manufacturing operations rely on external subcontractors and suppliers of services and goods to varying degrees. This operating model inherently contains a risk to the group's goodwill and branding. If suppliers fail to meet agreed or generally accepted standards in areas such as environmental compliance, human rights, labor relations and product quality, this could have a significant adverse effect on the group's business, prospects, financial results and results of operations. In general, the company aims at dual sourcing of critical components to limit risk. In addition, the majority of spend is directed towards large industrial companies with full ISO compliance and smaller vendors that are in compliance with local legislation. Further, Nel conducts regular quality reviews, including production site visits for risk assessment.

FINANCIAL RISK FACTORS

The key financial risks the group is exposed to are related to liquidity-, currency-, interest rate-, and credit risk.

Liquidity risk
Liquidity risk is the potential loss that occurs when the group fails to fulfil its contractual obligations when they fall due.

However, the group has a strong liquidity position, NOK 295.0 million, as of 31.12.2017.

The strong cash position is a good basis for the group's growth strategy.

The group monitors its risks associated with lack of capital up against the company's planned activities.

The group will if necessary attempt to raise capital through private placements, debt financing, partnerships, and strategic alliances or from other sources. The group may fail to raise capital on acceptable terms, or not do it at all, and this can result in a liquidation.

Currency risk
Nel operates internationally and is subject to currency risks arising from foreign currency transactions and exposures. As the group reports its consolidated results in NOK, any change in exchange rates between NOK and its subsidiaries' functional currencies, primarily with respect to changes in USD, DKK and EUR, affects its consolidated statement of income and consolidated statement of financial position. As the group expands its operations with projects in new markets the currency risk exposure increases.

The group is on an overall level managed as a NOK company for currency risk management purposes with primary focus on NOK cash flow.

The group evaluate, and secures larger net exposures from contracts in foreign currency by entering forward currency contracts. The risk is considered to be medium.

CURRENCY FLUCTUATION EFFECTS ON NET PROFIT OF THE YEAR:

(Amounts in NOK thousands)

PROFIT AND LOSS			CHANGES IN EXCHANGE RATE NOK/FOREIGN CURRENCIES			
NET PROFIT IN FOREIGN CURRENCIES	VALUE IN CURRENCY	VALUE IN NOK	-10%	-5%	+5%	+10%
DKK	-77 210	-96 837	9 684	4 842	-4 842	-9 684
USD	-785	-6 312	631	316	-316	-631
EUR	8 517	79 443	-7 944	-3 972	3 972	7 944
Effect on net profit			2 371	1 185	-1 185	-2 371
BALANCE SHEET						
NET RECEIVABLES/LIABILITIES IN FOREIGN CURRENCIES						
DKK	-3 952	-5 224	522	261	-261	-522
USD	-768	-7 406	741	370	-370	-741
EUR	-755	-7 425	743	371	-371	-743
Effect on net profit			2 005	1 003	-1 003	-2 005
Total effect on net profit			4 376	2 188	-2 188	-4 376

Interest rate risk
The group's risk exposure in relation to changes in market interest rates are the group's loans and bank deposits, and a change in interest rates may therefore affect the capital return. The group does not have a significant amount of interest bearing long-term debt obligations and the market interest looks to be stabile at a low level in the nearest future. Due to the low amount of debt in the group it is assessed that a change in interest rates will not have a significant effect for the financial statements.

Credit risk
Credit risk is the potential loss that may arise from any failure in the ability or willingness of a counter party to fulfil its contractual obligations, as and when they fall due. Additionally, competitive pressure and challenging markets may increase credit risk through sales to financially weak customers, extended payment terms and sales into new and immature markets. This could have a significant adverse effect on the Company's business, prospects, financial results and results of operations.

Trade receivables
Customer credit risk is managed by each business unit subject to established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Other receivables are prepaid expenses or accruals. Outstanding customer receivables are regularly monitored. Maximum risk exposure is outstanding receivables of NOK 96.8 millions. Nel credit risk is considered to be medium, as claims are mainly against various international companies.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The group does not hold collateral as security. The group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

RISK FACTORS RELATED TO MARKET

Regulatory issues
The group's operations are subject to numerous environmental requirements. Such laws and regulations govern, among other matters, air pollution emissions, wastewater discharges, solid and hazardous waste management, and the use, composition, handling, distribution and transportation of hazardous materials. Many of these laws and regulations are becoming increasingly stringent (and may contain "strict liability"), and the cost of compliance with these requirements can be expected to increase over time.

The group's electrolyzer production depends on various discharge permits granted by various authorities. From time to time, breaches of the allowed emission limits set out in such permits may occur. If such limits of the relevant permits should be exceeded, this may have a significant effect on the group's operations and result, as the group may be ordered to temporarily halt production, be subject to fines and/or be ordered to undertake corrective measures.

The group cannot predict the impact of new or changed laws or regulations relating to health, safety, the environment or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of these requirements impose substantial costs or constrain the group's ability to expand or change its processes, the group's business, prospects, financial results and results of operations could suffer. Any breach of such requirements could in addition result in fines or other substantial costs and/or constraint the group's ability to operate its production plant, which could have a significant adverse effect on its business, prospects, financial results and results of operations.

Competition
The group competes with a large number of competitors. Many competitors are developing and are currently producing products based on technologies that may have costs similar to, or lower than, the group's projected costs. Many of the group's existing and potential competitors may have longer operating histories, greater name recognition, structurally better cost positions through geographical location or agreements with local authorities (including direct and indirect subsidies), better access to skilled personnel, better access to research and development partners, access to larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than the group. As a result, they may be able to respond more quickly than the group can to the changing customer demands or to devote greater resources to the development, promotion and sales of their products. The group's business relies on sales of its products, and competitors with more diversified product offerings may be better positioned to withstand a decline in the demand for products of the types that the group offers. It is possible that new competitors or alliances among existing competitors could emerge and rapidly acquire significant market share, which would harm the group's business. If the group fails to compete successfully, it could have a significant adverse effect on the group's business, prospects, financial results and results of operations.

Note 24 Subsequent events

April 3rd 2018: Nel receives additional purchase order worth USD 5.5 millions from Nikola Motor Company bringing the total value of the two demo stations to Nikola to USD 9.0 millions.

April 3rd 2018: Nel announced that the work under the frame agreement with H2V Product has been discontinued.

Note 25 Going concern

The financial statement is presented on the going concern assumption under International Financial Reporting Standards. As per the date of this report the group has sufficient working capital for its planned business activities over the next twelve month period.

The Board of Directors confirmed on this basis that the going concern assumption is valid, and that financial statements are prepared in accordance with this assumption.


H2
CE0036

Parent company financial statements

Statement of income

(Amounts in NOK thousands)

Nel ASA

OPERATING INCOME AND OPERATING EXPENSES	NOTE	2017	2016
Other operating income	4	6 301	3 184
Total operating income		6 301	3 184
Personnel expenses	3	20 850	13 175
Depreciation	7	135	35
Other operating expenses	5	22 449	14 450
Total operating expenses		43 434	27 661
Operating loss		-37 133	-24 477
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Interest income		2 026	2 233
Financial income group		1 182	116
Other financial income		2 113	41
Interest expense		24	18
Other financial expenses		883	50
Net financial items		4 414	2 321
Pre-tax loss		-32 719	-22 156
Tax expense		0	0
Net loss attributable to equity holders of the company		-32 719	-22 156

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
ASSETS	NOTE	2017	2016
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Deferred tax asset	6	0	0
TANGIBLE FIXED ASSETS			
Land, buildings and other property	7	210	262
Machinery, equipment, fixtures and fittings etc.	7	207	150
Total tangible fixed assets		417	413
FINANCIAL ASSETS			
Investments in associates	11	8 834	200
Investments in group companies	11	1 064 003	530 373
Loans to group companies		118 924	17 771
Total financial assets		1 191 762	548 344
Total non-current assets		1 192 179	548 756
CURRENT ASSETS			
RECEIVABLES			
Accounts receivable		102	0
Accounts receivable group companies		0	27 817
Other current receivables	10	7 126	362
Total receivables		7 228	28 179
Cash and cash equivalents	8	258 219	157 212
Total current assets		265 446	185 391
TOTAL ASSETS		1 457 625	734 148

Statement of financial position as of 31 December

(Amounts in NOK thousands)

		Nel ASA	
EQUITY AND LIABILITIES	NOTE	2017	2016
EQUITY			
PAID IN CAPITAL			
Share capital	9	199 743	136 736
Treasury shares	9	-4 136	0
Share premium	9	1 289 837	608 817
Other capital reserves	9	19 188	11 116
Total paid in capital		1 504 632	756 669
OTHER EQUITY			
Retained earnings	9	-53 406	-25 692
Total other equity		-53 406	-25 692
Total equity		1 451 226	730 977
NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		869	835
Taxes payable		0	0
Public duties payable		2 306	1 043
Liabilites to group companies		0	60
Other current liabilities	10	3 225	1 233
Total current liabilities		6 399	3 171
Total liabilities		6 399	3 171
TOTAL EQUITY AND LIABILITIES		1 457 625	734 148

OSLO, 19 APRIL 2018

THE BOARD OF DIRECTORS OF NEL ASA

Ole Enger
Board member

(Sign)

Hanne Skaarberg Holen
Chair

(Sign)

Beatriz Malo de Molina
Board member

(Sign)

Mogens Filtenborg
Board member

(Sign)

Finn Jebsen
Board member

(Sign)

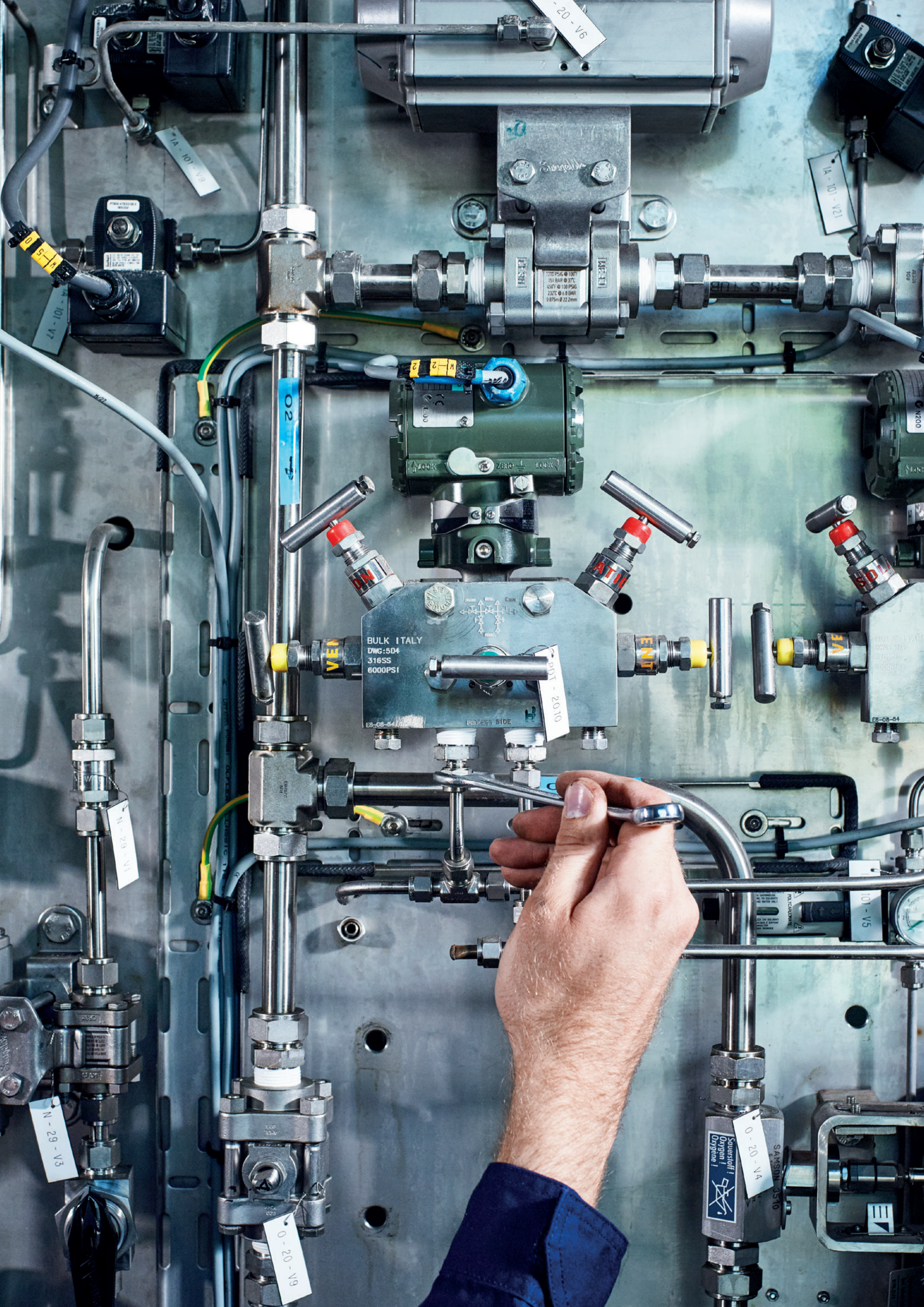
Jon André Løkke
CEO

(Sign)

Statement of cash flows

(Amounts in NOK thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	Nel ASA 2017	Nel ASA 2016
Loss before tax		-32 719	-22 156
Taxes paid		0	0
Interests cost, reversed		24	18
Interests income, reversed		-3 208	-2 233
Depreciation	7	135	35
Change in provisions		-11 725	590
Change in account receivables, group receivables		27 715	-3 220
Change in trade payable and group payables		-26	-4 356
Changes in other current assets and other liabilities		-3 509	-10 581
Net cash flow from operating activities		-23 314	-41 902
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from sale of tangible fixed assets			
Acquisitions of fixed assets	7	-139	-448
Loan given to subsidiaries, associates and joint ventures		-101 153	0
Acquisition of associated companies		-8 624	-200
Acquisition of subsidiaries		-169 220	-106 088
Net cash flow from investment activities		-279 137	-106 735
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid		-24	-18
Interests received		3 208	2 233
Gross cash flow from share issues		428 033	7 118
Transaction costs related to capital increases		-23 623	0
Treasury shares		-4 136	0
Net cash flow from financing activities		403 458	9 333
Net change in cash and cash equivalents		101 007	-139 304
Cash balance as of 01.01	8	157 212	296 516
Cash balance as of 31.12	8	258 219	157 212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Notes to the financial statements parent company

Note 1 Company information

Nel ASA (Nel) is a global, dedicated hydrogen company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. The company serves industry, 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 also holds a number of patents related to tests for early detection and diagnosis of diseases. Nel ASA (org. no 979 938 799) was formed in 1998 and is a Norwegian public limited company listed on the Oslo Stock Exchange. The group's head office is in Karenslyst allé 20, N-0278 Oslo, Norway. The parent company's financial statements were approved by the Board of Directors on 19th of April 2018.

Note 2 Significant accounting principles

Statement of compliance
The financial statements of Nel ASA are prepared in accordance with International Financial Reporting Standards (IFRS) as approved by EU.

Basis for preparation
These financial statements have been prepared on a historical cost basis.

Accounting estimates and judgements
In preparing the financial statements, assumptions and estimates that have had effect on the amounts and presentation of assets and liabilities, income and expenses and contingent liabilities must be made. Actual results could differ from these assumptions and estimates.

Foreign currency translation
The functional currency and presentation currency of the company is Norwegian kroner (NOK). Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical cost expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date.

Employee benefits
Wages, salaries, bonuses, pension and social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. The company has pension plans for employees that are classified as defined contribution plans. Contributions to defined contribution schemes are recognized in the statement of profit or loss in the period in which the contribution amounts are earned by the employees.

For further information refer note 3 – Employee benefits.

Interest income and expenses
Interest income and expenses are recognized in the statement of income as they are accrued, based on the effective interest method.

Income tax expense
Income tax expense in the statement of income for the year comprises current tax and changes in deferred tax. Income tax expense is recognized in the statement of income.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Uncertain tax positions and potential tax exposures are analyzed individually and the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amounts for assets to be received (disputed tax positions for which payment has already been made) in each case are recognized within current tax or deferred tax as appropriate.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. For a deferred tax asset to be recognized based on future taxable profits, convincing evidence is required.

Subsidiaries and investment in associated companies and joint ventures
Subsidiaries are all entities controlled by Nel ASA. Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The company's investments in its associates and joint ventures are accounted for using the equity method. An associate is an entity where the company has significant influence. A joint venture is an entity where the company has joint control contractually together with one or several other parties.

Cash and cash equivalents
Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

Events after the reporting period
New information of the company's financial position on the end of the reporting period which becomes known after the reporting period, is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period, but which will affect the company's financial position in the future are disclosed, if significant.

Statement of cash flow
The cash flow statement is prepared using the indirect method.

Note 3 Employee benefits

(Amounts in NOK thousands)

SALARIES AND PERSONNEL EXPENSES	2017	2016
Salaries	9 650	6 143
Social security tax	1 581	875
Pension expense	122	63
Other payroll expenses*	9 497	6 095
Total	20 850	13 175

* *2017: Included in this amount are expenses amounting to NOK 9 095 thousands (5 919 in 2016) related to the company's stock option- and stock purchase incentive schemes.*

Average number of full time employees	4,0	3,0

PENSION

The company has a defined contribution pension plan for its employees that meet the requirements of the Pension Acts of Norway.

REMUNERATION OF MANAGEMENT 2017	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION	TOTAL REMUNERATION
Jon Andrè Løkke, CEO*	2 532	938	21	422	3 912
Bent Skisaker, CFO	1 906	0	21	422	2 349
Bjørn Simonsen, VP Market Dev & PR	1 103	0	20	422	1 544
Anders Søreng, CTO and SVP Nel Hydrogen Electrolyser division	1 580	0	21	422	2 022
Total	7 121	938	82	1 688	9 828

* *Jon Andrè Løkke has a six months notice period, plus is entitled to six months severence pay.*

BOARD OF DIRECTORS 2017		REMUNERATION
Hanne Skaarberg Holen	- chair	250
Ole Enger		125
Beatriz Malo de Molina		125
Mogens Filtenborg		174
Finn Jebsen		125
Martin Nes	*- chairman of the board until 15.05.2017*	98
Eva Dugstad	*- board member until 15.05.2017*	49
Jan Christian Opsahl	*- board member until 15.05.2017*	49
Øystein Stray Spetalen	*- board member until 15.05.2017*	49
Anne Marie Gohli Russel	*- board member until 15.05.2017*	49
Kristin Hellebust	*- board member until 15.05.2017*	49
Total		1 140

The remuneration is on a pro-rata basis for 2017

REMUNERATION OF MANAGEMENT 2016	SALARY	BONUS	PENSION EXPENSE	OTHER REMUNERATION	TOTAL REMUNERATION
Jon Andrè Løkke, CEO	2 298	0	29	0	2 327
Bent Skisaker, CFO *	667	0	0	0	667
Lars Christian Stugaard, CFO *	0	0	0	2 125	2 125
Anders Søreng, CTO **	741	0	17	72	830
Bjørn Simonsen, VP Market Dev & PR	896	0	16	0	913
Total	4 602	0	63	2 197	6 861

Jon Andrè Løkke has a six months notice period, plus is entitled to six months severence pay.

* *Bent Skisaker commenced the position as CFO on 1 September 2016. Until then Lars Christian Stugaard served as CFO, hired in from Ferncliff Tih 1 AS.*
** *Anders Søreng commenced the position as CTO on 1 May 2016.*

BOARD OF DIRECTORS 2016	REMUNERATION
Martin Nes - chairman	260
Øystein Stray Spetalen	130
Jon Christian Opsahl	130
Eva Dugstad	130
Ann Marie Russell	130
Kristin Hellebust	119
Mikael Sloth	130
Harald Arnet	15
Total	1 044

SHARE OPTIONS AND SUBSCRIPTION RIGHTS

Nel has issued share options and subscription rights/matching shares to management and employees. If the options are exercised, they will be settled in shares.

The following conditions apply:

(amounts in NOK thousands and number of options/shares in thousands)

NAME	NUMBER OF OPTIONS	EXERCISE	EXPIRY	STRIKE PRICE (NOK)	FAIR VALUE (NOK)	COST OF PERIOD*
Jon Andrè Løkke	6 000	04.04.18	-	3.00	1.72	5 719

NAME	NUMBER OF MATCHING SHARES	EXERCISE	EXPIRY	STRIKE PRICE (NOK)	FAIR VALUE (NOK)	COST OF PERIOD*
Jon Andrè Løkke	200	June 2018	June 2018	-	2.13	214
Jon Andrè Løkke	109	June 2018	June 2018	-	2.56	147
Jon Andrè Løkke	109	June 2019	June 2019	-	2.56	66
Bent Skisaker	200	June 2018	June 2018	-	2.62	292
Bent Skisaker	109	June 2018	June 2018	-	2.56	147
Bent Skisaker	109	June 2019	June 2019	-	2.56	66
Bjørn Simonsen	200	June 2018	June 2018	-	2.13	214
Bjørn Simonsen	109	June 2018	June 2018	-	2.56	147
Bjørn Simonsen	109	June 2019	June 2019	-	2.56	66
Anders Søreng	200	June 2018	June 2018	-	2.13	214
Anders Søreng	109	June 2018	June 2018	-	2.56	147
Anders Søreng	109	June 2019	June 2019	-	2.56	66
Total	1 674					1 782

**cost of period does not include social security*

IFRS 2 presumes that the fair value of the services expected to be received is the same as the fair value of the equity instruments granted at grant date.

Therefore, although the services are recognized over the vesting period, they are measured only once, at grant date, unless the arrangement is modified.

The fair value of options granted are calculated using the Black-Scholes model.
Fair value for the matching shares is equal to the share price at grant.

Input parameters for Black-Scholes option pricing model:

OPTION PROGRAMS:	
Jon André Løkke:	
No of options granted:	6 000 000
Grant Date:	4 January 2016
Share price (spot):	NOK 4.67
Strike price:	NOK 5.46
Amendment date:	30 August 2016
Share price (spot):	NOK 2.44
Strike price:	NOK 3.00
Exercise:	4 April 2018
Expiry:	No expiry (In calculating the fair value of the options using the Black-Scholes model, it is assumed exercise of the options within two years after exercise date). The right to exercise the stock options is subject to that the employment agreement have not been terminated at the time of exercise.
Expected volatility:	60% (weighted average of peer group)
Assets drift (risk free interest rate):	0.78%
Expected dividends:	not applicable

SHARE PURCHASE PROGRAM / MATCHING SHARES:

Total number of shares subcribed for in the share purchase program were 997 736 in 2017 and 800 000 in 2016, respectively.

For each share subscribed by the employee in the share purchase program, the employee will receive 2 matching shares, 1 after 12 months after subscription and 1 after 24 months, respectively. Originally subscribed shares must be kept for the entire period in order for matching shares to be granted.

Note 4 Related parties

Transactions with related parties
All related party transactions have been carried out as part of the normal course of business and at arm's length. The most significant transactions are:

Subsidiaries and associates - management service income

Nel ASA has during 2017 charged NOK 6.3 millions for corporate services provided to its subsidiaries and associates (2016: NOK 3.2 millions)

Subsidiaries and associates - financing
In the course of the ordinary business, intercompany financing is provided from Nel ASA to its subsidiaries. Long-term financing is interest bearing and priced at arm's length.

Note 5 Operating expenses

(Amounts in NOK thousands)

SPECIFICATION OF OTHER OPERATING EXPENSES	2017	2016
Office premises etc.	908	815
Administrative costs	3 639	2 097
Professional fees	16 739	10 295
Travel expenses	1 164	1 243
Other operating expenses	22 449	14 450

AUDITOR FEES

FEES TO THE AUDITOR	2017	2016
Statutory auditing services	682	622
Attestation services	51	70
Non-auditing services	554	0
Total	1 287	692

Amounts are exclusive VAT.

Note 6 Taxes

(Amounts in NOK thousands)

CALCULATIONS OF THE TAX BASE FOR THE YEAR	2017	2016
Loss before tax	-32 719	-22 156
Permanent differences	-9 372	5 990
Change in temporary differences	-156	-182
The year's taxable income	-42 247	-16 348
Loss before tax	-32 719	-22 156
Tax rate (24 % in 2017 and 25% in 2016)	-7 853	-5 539
Tax effect of:		
Permanent differences	-2 249	1 497
Change in tax rate from 24% to 23% on deferred tax assets	4 589	0
Change in not-recognized deferred tax assets	5 514	4 042
Total income tax expense (revenue)	0	0
Income tax expense (revenue) comprises		
Income tax payable	0	0
Change in deferred tax	0	0
Total income tax expense (revenue)	0	0
Specification of temporary differences:		
Tangible fixed assets, incl. goodwill	-865	-1 040
Provisions for liabilities	-673	-653
Tax losses carry forward	-457 354	-415 103
Basis for deferred tax asset	-458 891	-416 797
Nominal tax rates for next year	23 %	24 %
Deferred tax asset	-105 545	-100 031
Deferred tax asset not recognized in Statement of financial position	-105 545	-100 031
Deferred tax asset in the Statement of financial position	0	0

The majority of the deferred tax asset is related to loss carry forward. As of 31.12.2017 it is deemed not probable that the tax loss carry forward will be utilized in the near future, therefore the deferred tax assets is not capitalized.

Note 7 Property, plant and equipment

(Amounts in NOK thousands)

	OFFICE MACHINES	TECHNICAL INSTALLATIONS	TOTAL
Acquisition cost as of 01.01.2016	0	0	0
Additions	185	262	448
Acquisition cost as of 31.12.2016	185	262	448
Additions	139		139
Acquisition cost as of 31.12.2017	324	262	587
Accumulated depreciation as of 01.01.2016	0	0	0
Depreciation for the year	35	0	35
Accumulated depreciation as of 31.12.2016	35	0	35
Depreciation for the year	82	52	135
Accumulated depreciation as of 31.12.2017	117	52	170
Carrying amount as of 31.12.2016	150	262	413
Carrying amount as of 31.12.2017	207	210	417
Useful life	3 years	5 years	
Depreciation plan	Straight-line	Straight-line	

Note 8 Cash and cash equivalents

(Amounts in NOK thousands)

	2017	2016
Free cash	257 778	156 848
Restricted cash (witheld employee taxes)	440	364
Total cash and cash equivalents	258 219	157 212

Note 9 Share capital and shareholders

(Amounts in NOK thousands)

	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	TREASURY SHARES	RETAINED EARNINGS	TOTAL EQUITY
Equity as of 01.01.2016	680 601	136 120	602 314	1 200	0	-3 536	736 098
Increase of capital 2016	3 077	615	6 503				7 118
Options and share program				9 916			9 916
Net loss attributable to equity holders of the company						-22 156	-22 156
Equity as of 31.12.2016	683 678	136 736	608 817	11 116	0	-25 692	730 977
Increase of capital 2017	315 037	63 007	681 020				744 027
Treasury shares					-4 136		-4 136
Options and share program				8 072		9 213	17 285
Other Changes						-4 208	-4 208
Net loss attributable to equity holders of the company						-32 719	-32 719
Equity as of 31.12.2017	998 715	199 743	1 289 837	19 188	-4 136	-53 406	1 451 226

SHAREHOLDERS AS OF 31.12.2017	NUMBER OF SHARES	OWNERSHIP
F9 Investments LLC	146 138 713	14.63 %
H2 Holding Aps	63 377 778	6.35 %
Verdipapirfondet Alf Berg Gambak	34 153 370	3.42 %
Nordnet Livsforsikring AS	31 041 055	3.11 %
Nordea Bank AB	27 702 998	2.77 %
Clearstream Banking S.A	16 845 595	1.69 %
Lms Holdco AS	15 500 000	1.55 %
Jemo Invest AS	15 500 000	1.55 %
Elmo Holding AS	13 560 000	1.36 %
Nordnet Bank AB	13 266 793	1.33 %
Mamy Invest AS	13 217 360	1.32 %
Seb Prime Solutions Sissener	10 000 000	1.00 %
Netfonds Livsforsikring AS	8 334 415	0.83 %
First Generator	7 488 000	0.75 %
Storebrand Vekst Verdipapirfond	6 592 983	0.66 %
JPMorgan Chase Bank	6 443 435	0.65 %
Credit Suisse Securities	6 215 944	0.62 %
Statoil Pensjon	6 005 681	0.60 %
Carnegie Investment Bank AB	5 813 493	0.58 %
Danske Bank A/S	5 309 834	0.53 %
Total 20 largest shareholders	452 507 447	45.31 %
Total remaining shareholders	546 207 505	54.69 %
Total number of shares	998 714 952	100.00 %

Nel ASA owns 1 520 743 treasury shares.

SHARES OWNED BY BOARD OF DIRECTORS	ASSIGNMENT	NUMBER OF SHARES	OWNERSHIP
Hanne Skaarberg Holen	Chair of Board	260 000	0.03 %
Ole Enger	Board member	140 000	0.01 %
Beatriz Malo de Molina	Board member	0	0.00 %
Mogens Filtenborg [1]	Board member	1 813 493	0.18 %
Finn Jebsen [2]	Board member	300 000	0.03 %
Total		2 513 493	0.25 %

[1] Represents Zuns ApS
[2] Represents Fateburet AS

SHARES OWNED BY MANAGEMENT	ASSIGNMENT	NUMBER OF SHARES	OWNERSHIP
Jon Andrè Løkke	CEO	757 159	0.08 %
Bent Skisaker	CFO	430 159	0.04 %
Bjørn Simonsen [1]	VP market dev and PR	2 035 928	0.20 %
Anders Søreng [2]	CTO and SVP Nel Hydrogen Electrolyser division	430 159	0.04 %
Total		3 653 405	0.37 %

[1] Represents Simonsen Invest
[2] Represents A.S. Consulting Gjøvik AS

Refer to note 3 - Employee benefits, for informations of options and subscription rights granted to management. There were no dividends paid out in 2017 or 2016.

Note 10 Other current assets and liabilities

(Amounts in NOK thousands)

SPECIFICATION OF OTHER CURRENT ASSETS	2017	2016
VAT net receivable	357	0
Prepayments	344	0
Other current receivables	6 424	362
Total other current assets	7 126	362

Specification of other current liabilities		
Vacation allowance and other salary related accruals	1 360	653
Other current liabilities	1 865	580
Total other current liabilities	3 225	1 233

Note 11 Subsidiaries, associates and joint ventures

COMPANY	2017	2016
New Nel Hydrogen Holding AS	144 690	137 800
Nel Hydrogen A/S (DK)	427 299	388 290
Nel Fuel AS	55	55
Proton	491 960	0
Total	1 064 003	526 145

As of 30 june 2017 Nel ASA acquired 100% of the shares in Proton OnSite for a total purchase price and consideration of NOK 519 million. Refer to note 21 in the consolidated financial statements for more details.

COMPANY	COUNTRY	OWNERSHIP		2017	2016
Glomfjord Hydrogen AS	Norway	28,57 %	Associate	200	200
Hyon AS	Norway	33,33 %	Joint venture	1 510	0
Nel Deokyang Co.Ltd	South Korea	50,00 %	Joint venture	7 124	0
Total				8 834	200

During 2017 Nel ASA entered into two joint ventures agreements. Hyon AS that primarily targets the maritime transportation sector was established together with Hexagon Composites ASA and Powercell Sweden AB, each party owns an equal 33.33% share of the company.

Nel Deokyang Co. Ltd that targets the South Korean hydrogen market was established together with Deokyang Co. Ltd were each party owns 50% of the company. The agreement states that the companyis operated as a joint venture.

Note 12 Subsequent events

No events occurred after the balance sheet date with significant impact on the financial statements for 2017.

Alternative Performance Measures

Nel discloses alternative performance measures (APMs) in addition to those normally required by IFRS. This is based on the group's experience that APMs are frequently used by analysts, investors and other parties for supplemental information.

The purpose of APMs is to provide an enhanced insight into the operations, financing and future prospect of the group. Management also uses these measures internally to drive performance in terms of long-term target setting. APMs are adjusted IFRS measures that are defined, calculated and used in a consistent and transparent manner over the years and across the group where relevant.

Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS.

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES USED BY THE GROUP FOR ENHANCED FINANCIAL INFORMATION

EBITDA: is defined as earnings before interest, tax and depreciation and corresponds to operating profit/(loss) adjusted for depreciation and impairments.

EBITDA margin: is defined as EBITDA divided by total operating income.

EBIT: is defined as earnings before interest and tax and corresponds to operating profit/(loss).

EBIT margin: is defined as EBIT divided by total operating income.

Equity ratio: is defined as total equity divided by total assets.

Organic growth: is defined as internally generated growth from increased output/revenues in the group were growth from takeovers, acquisitions or mergers is not taken into account.

Order backlog: is defined as firm contracts/purchase orders received from customers were revenue is yet to be recognized.

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nel ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nel ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2017, the statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Assessment of impairment of goodwill

At 31 December 2017, the recorded amount of goodwill was NOK 591.7 million, 34 % of total assets. Estimating the recoverable amount of the cash generating units requires management judgment including estimates of future sales, gross margins, operating costs, growth rates, capital expenditures and discount rate. The annual impairment assessment was a key audit matter because the assessment requires significant judgment and includes estimation uncertainties.

For each cash generating unit, we evaluated the assumptions based on the development in the market and compared the cash-flow projections in the impairment calculation to board approved budgets. We considered the accuracy of management's prior year estimates and evaluated the level of consistency applied in the valuation methodology from previous years. Furthermore, we compared the risk premiums in the weighted average cost of capital with external data, and considered management's adjustments for company specific factors. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis of the assumptions used. We assessed the Group's disclosures included in note 2 and 11 in the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

Accounting for acquisitions

During the year ended 31 December 2017, the Group acquired Proton Energy Systems, Inc. (Proton OnSite) for a total consideration of NOK 519.5 million, as detailed in note 21 in the consolidated financial statements.

The excess value in the preliminary purchase price allocation was mainly allocated to technology, customer relationships and existing customer contracts and goodwill. Key assumptions for the valuation of assets and liabilities were discount rates, growth rates, royalty rates for the technology, customer churn rate, contract margins, cash flow projections and useful lives assigned to the assets. Third party valuation specialists assisted management in preparing the preliminary purchase price allocation. Based on the significant degree of management judgment in the preliminary purchase price allocation this was a key audit matter.

We read the share purchase agreement and due diligence reports and considered the assessments made by management. We assessed the appropriateness of the methodology applied by management in determining the fair value of technology, customer relationships and existing customer contracts. We considered the key assumptions including assessment of useful lives by comparing to observable market data and relevant sector and industry specific practices.

We also assessed the disclosures related to the acquisition provided in note 21 in the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

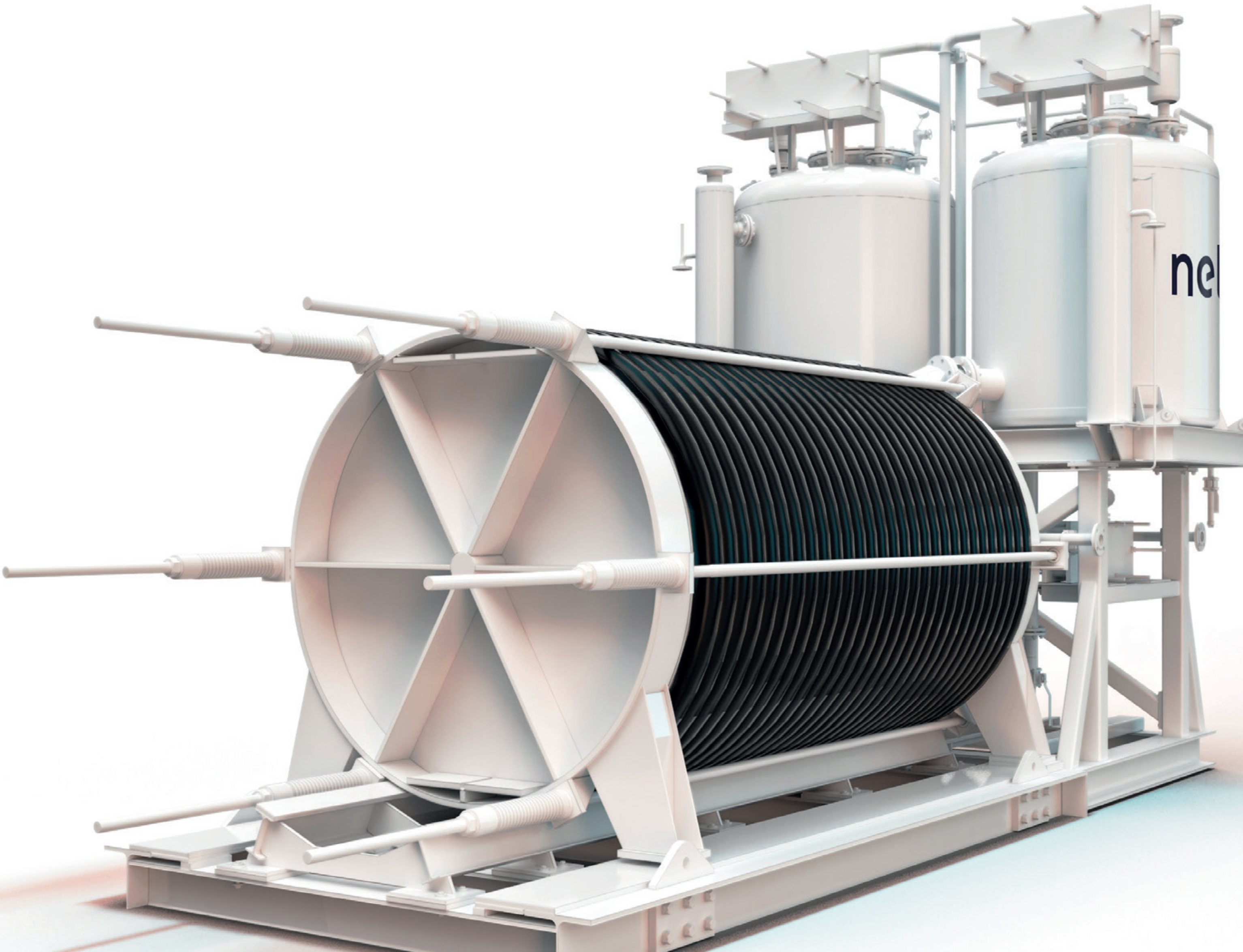
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 23 April 2018
ERNST & YOUNG AS

Petter Larsen
State Authorised Public Accountant (Norway)



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