# ANNUAL REPORT 2014

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# TIMELINE

Facts regarding NEL, acquired by Diagenic ASA

## 1927

Norsk Hydro commenced manufacturing of electrolysers - the predecessor to NEL Hydrogen

## 1940

The complete installation of a hydrogen plant in Rjukan was completed, this is the largest installation in the world of water electrolysers

## 1947

After World War II, Norsk Hydro established a development group to improve the efficieasy of the electrolysers, the new design had an energy saving of 25%

## 1953

Norsk Hydro starts up its second large scale electrolyser plant supplying hydrogen to ammonia production in Glomfjord in Northern Norway

## 1959

The complete electrolyser unit was redesigned once more, the new design forms the basisthe athmospheric electrolysers NEL produces to this day

## 1974

Norsk Hydro establishes a separate group – Norsk Hydro Electrolysers (NHEL), which began commercial sales of electrolysers with special focus on the Nordic market

## 1988

Non-asbestos diaphragms were introduced and NHEL began selling its product internationally

## 1991

The fertilizer production plant at Rjukan was shut down in the 1970´s, and the electrolyser plant in Glomfjord was shut down in 1991. The hydrogenactivities of NHEL were thereby purely commercial

## 1993

NHEL spun off into a separate company, fully owned by Norsk Hydro.

## 2001

NHEL first pressurized electrolyser introduced

## 2003

NHEL delivers the world´s first publically available hydrogen fuelling station (HRS)

## 2004

NHEL delivers the world's first power-to-gas project at Utsira, Norway

## 2006

NHEL is renamed Hydrogen Technologies

## 2007

Statoil becomes the owner of Hydrogen Technologies as a result of the Statoil-Hydro merger

## 2008

Hydrogen Technologies delivers its 500th electrolyser

## 2011

Hydrogen Technologies is sold from Statoil to a new owner group including Strata Marine Offshore and management of the company. Hydrogen Technologies is renamed NEL Hydrogen

## 2012

Strong backlog after substantial order intake during the second half of 2011

## 2013

Financial restructuring (NEL Hydrogen AS declares bankruptcy) to cap unlimited liability in specific customer contacts. Assets purchased from DnB and company renamed New NEL Hydrogen

## 2014

Ferncliff enters as investor after reorganization of the Company. DiaGenic acquires 100% of the shares in New NEL hydrogen Holding AS

# LETTER FROM THE CHAIRMAN

2014 was a transforming year for NEL ASA (“NEL”, “the Company”, “the Group”), with the development and implementation of a new strategy and business area, and changing its name from Diagenic ASA to NEL ASA. Following the acquisition of NEL Hydrogen for a total consideration of NOK 120 million, the listing platform and infrastructure of the Company enabled us in record time to establish the first dedicated hydrogen company on the Oslo Stock Exchange. The Company still maintains a large portfolio of patents related to its pharmaceutical business, and we will continue to look for opportunities in relation to these.

In order to prepare the Company for a new business area, and to strengthen its balance sheet, the Company successfully completed three share issues. At the time of writing the Company holds approximately NOK 170 million in cash and has no long-term debt. The Company is thus well positioned to take part in the exciting times we expect to come within hydrogen.

Through NEL Hydrogen, the Company is a world-leading supplier of hydrogen production plants based on alkaline water electrolyser technology. The business dates back to 1927 when Norsk Hydro developed large-scale electrolyser plants providing hydrogen for use in ammonia production with fertilizer as the end product. Since then the electrolyser technology has been improved continuously. In total, NEL Hydrogen has sold more than 500 electrolysers in a wide array of industries across.

For 2014, the full-year operational revenue for the new main business area hydrogen ended at NOK 69.3 million with an operating profit of NOK 14.5 million. In the fourth quarter, NEL Hydrogen signed two contracts for new hydrogen electrolyser plants with a total value of approximately NOK 25 million, providing a solid platform for 2015.

Looking forward, the specific water electrolyser market represents only a fraction of the total hydrogen market which is expected to grow significantly in the coming years, with refuelling and energy storage as main drivers. Most of the larger car manufacturers have now signalled their intention to build conventional fuel cell cars and within renewable energy and energy storage hydrogen may play an important role going forward.

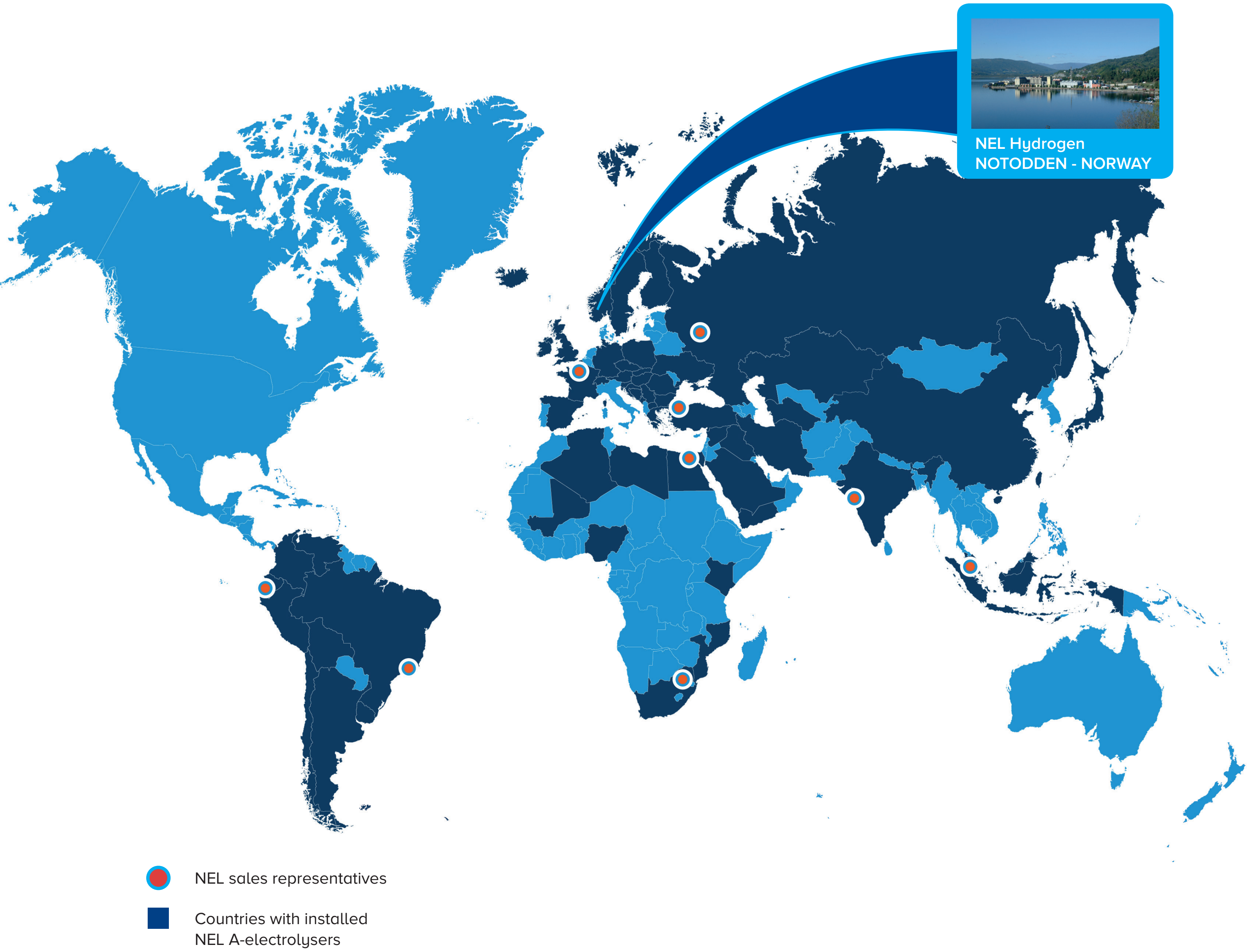
NEL wants to take part in this growth and has identified three main pillars to the company´s hydrogen strategy going forward:

- Increase market share within the market for hydrogen as an input factor
- Adapt to the growing and changing energy carrier market
- Complete solutions for hydrogen refuelling stations

We thank all our stakeholders for their efforts and dedication during an eventful 2014. Throughout 2015 we will do our best to continue developing NEL in accordance with the Company´s new strategy.

Best regards,

Martin Nes
Chairman of the board of directors




# ABOUT NEL HYDROGEN

NEL Hydrogen's main business activities are focused on water electrolyser technology. We have a proud history, and have been committed to the development and continual improvement of hydrogen plants right back to our foundation in 1927. Our nearly 90 years of experience in water electrolyser technology for hydrogen production is second to none. This equips us with the experience and competence to provide a promising future for our customers who wish to produce clean hydrogen at minimum life cycle cost.

# WORLD CLASS ELECTROLYSERS

**The NEL A-range of electrolysers – hydrogen plants based on water electrolyser technology with atmospheric pressure – is considered world class. The NEL A-range is well recognised for its robustness, reliability and energy efficiency. With these features our technology sets a benchmark for others to follow. Add flexibility, ease-of-use, high-capacity and safety to your list of essential criteria, and you will find that we provide a solution that is second to none.**

NEL A ATMOSPHERIC ELECTROLYSER

NEL A·150 NEL A·300 NEL A·485

Today we have rationalised our range and now offer three standard electrolyser models – NEL A•150 – NEL A•300 and NEL A•485. Different production capacity ranges, but similar exceptional technology, with following key benefits:

### RELIABLE H2 SUPPLY

Independence – with our on-site electrolyser plant, you are in control of your own supply of hydrogen Reliable production – the most proven and robust electrolyser technology available Continuous production – non-stop automatic production for years with no need for maintenance shutdown (just cell stack replacement will be required after 8-10 years).

### HIGH FLEXIBILITY

H2 on-demand – quick start-up and shut-down of the plant allows hydrogen production to match demand Operational range – automatically controlled production between 20 and 100% of the installed capacity Upscale of capacity – our three models are pre-designed for future expansion of capacity.

### COST-EFFICIENT SOLUTION

Lowest operational costs - the efficiency in energy, labour and maintenance ensure the NEL A-range has the lowest operational electrolyser cost available Energy efficient - the most energy efficient electrolyser on the market Labour efficient – Our advanced PLC control system ensures smooth, unattended automatic running of the plant Maintenance efficient – maximum robustness ensures minimum maintenance.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# REPORT FROM THE BOARD OF DIRECTORS

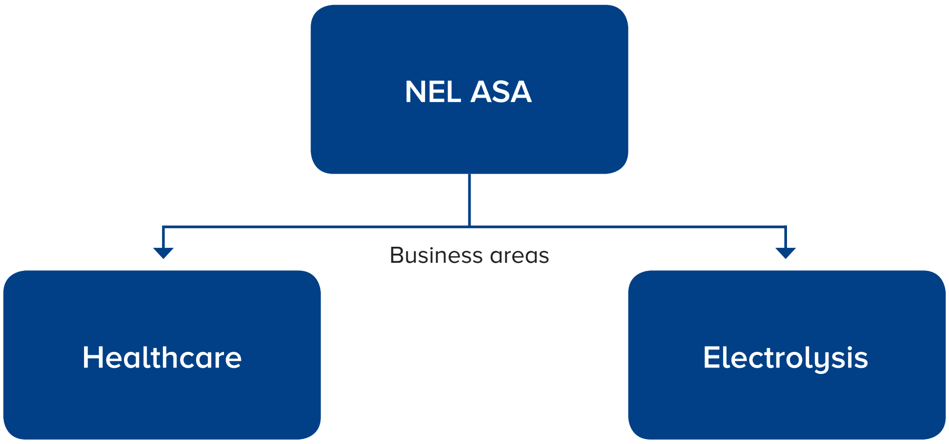
## Highlights 2014

- Diagenic ASA acquires NEL Hydrogen AS
- Through its subsidiary NEL Hydrogen AS ("NEL Hydrogen"), NEL ASA ("NEL", "the Company", "the Group"), became the first dedicated hydrogen company on the Oslo Stock Exchange. The initial public offering was an important step towards securing and strengthening the Company's position in the hydrogen technology sector.
- NEL Hydrogen signed two contracts for new hydrogen electrolyser plants during the fourth quarter with a total value of approximately NOK 25 million.
- The full-year operational revenue for NEL Hydrogen AS was NOK 69.3 million with an operating profit (EBIT) of NOK 14.5 million.
- NEL reported an EBIT of NOK -11.6 million for the year following the transition to the new business strategy.
- NEL raised NOK 185 million in gross proceeds through share issues.
- Lars Christian Stugaard was appointed Chief Executive Officer.
- A new board of directors was elected: Martin Nes (chairman), Øystein Stray Spetalen, Jan Christian Opsahl, Eva Dugstad, Anne Marie Gohli Russell and Harald Arnet (deputy board member).

## Business description and business areas

NEL (formerly Diagenic) has historically developed diagnostic tests based on peripheral gene expression for early detection of Alzheimer's disease, Parkinson's disease and breast cancer. On 28 October 2013, NEL announced that its board of directors and management would be seeking to restructure the Company. The board then initiated the process of giving notice to all staff, which was concluded in October 2013. On 25 February 2014, an extraordinary general meeting approved a rights issue. The proceeds were to be fund the evaluation and pursuit of growth and/or development opportunities in the Company's existing business areas, as well as new opportunities in the biotech/pharmaceuticals sector and other market segments.

On 8 October 2014, the Company acquired 100% of the shares in New NEL Hydrogen Holding AS ("NEL Hydrogen") for a total consideration of NOK 120 million. The acquisition represented a change in strategic direction for the Company to include a new business area. The pharmaceutical activities remains a separate business area within NEL. On 21 October 2014, the Company changed its name to NEL ASA and the Company was listed on the Oslo Stock Exchange with the new ticker NEL.




## Healthcare activities

**The Group's health care operations primarily consist of the following activities:**

- A development and license agreement between NEL ASA and ALMABIO Technologies AB ("ALMA"), signed in May 2014. ALMA has capabilities in the scientific evaluation of data and development of product concepts. ALMA is developing commercial diagnostics products and concepts focusing on Alzheimer's disease and Parkinson's disease.
- Ongoing evaluation of NEL's patent portfolio.
- Ongoing evaluation of possible mergers, acquisitions and strategic partnerships in the healthcare sector.

## Electrolysis activities/ NEL Hydrogen

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

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

Looking forward, hydrogen is increasingly being utilised as an energy carrier, both to maximise the utilisation of renewable energy and, subsequently, as a sustainable fuel for zero-emission fuel cell electric vehicles (FCEVs). With the commercial introduction of FCEVs already taking place, NEL Hydrogen intends to supply the hydrogen refuelling, energy storage and power-to-gas markets.

The water electrolyser market currently accounts for only a small fraction of the total hydrogen market, but is expected to grow significantly in the coming years, primarily driven by refuelling and energy storage demand. By 2020, 40% of renewable electricity is expected to take the form of wind and solar power, compared to 27% in 2013. (Source: IEA.)

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

NEL Hydrogen started commercial sales of electrolysers in the 1970s, and has sold more than 500 electrolyser units to a broad range of industries across Europe, South America, Africa and Asia. The company has production facilities in Notodden, Norway, and has a global reach through its in-house sales apparatus and extensive network of agents.

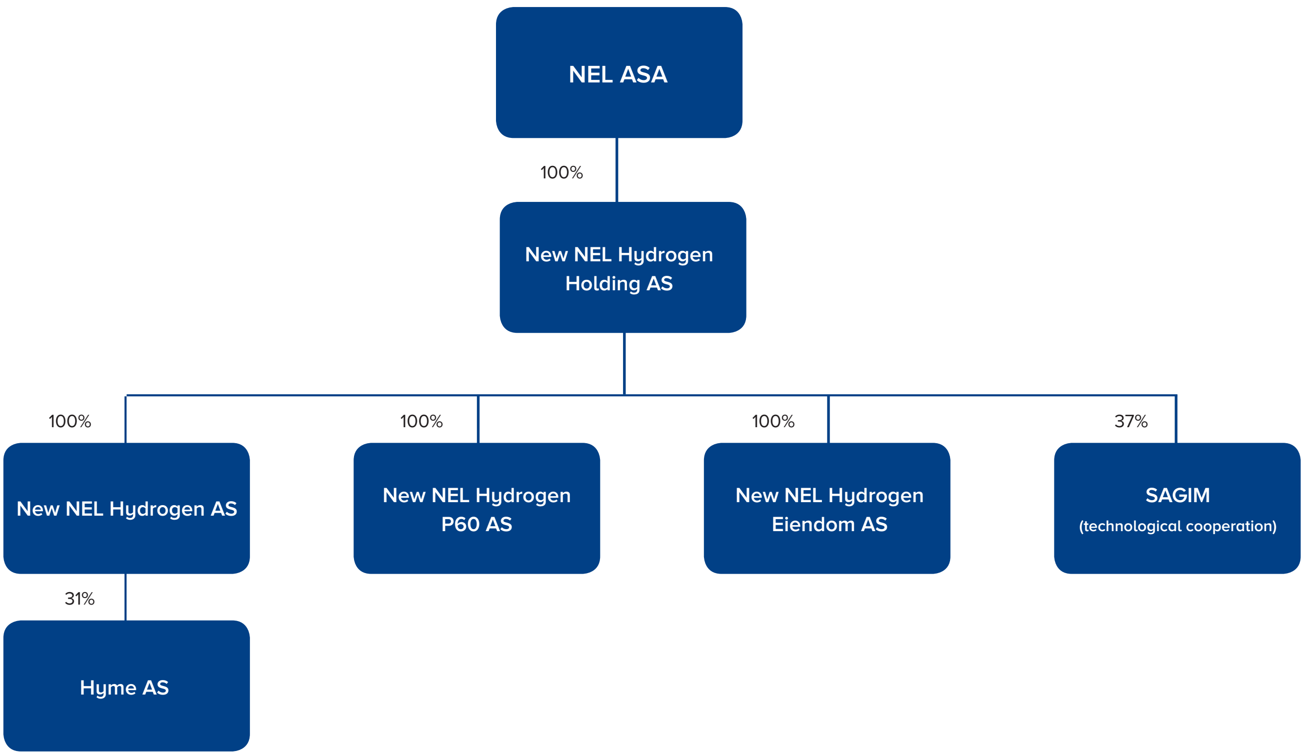
NEL Hydrogen's water electrolysis and atmospheric pressure technologies are considered world-class. The Company's long experience in the electrolysis field and sustained research and development efforts over the past 85 years gives it a unique technological platform.

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

Like electricity, hydrogen has no carbon footprint, and is set to become one of the main energy carriers of the future. Based on the superior energy efficiency, design and scalability of its unique electrolyser technology, NEL Hydrogen is aiming for profitable growth in harmony with a zero-emission vision of the future.

## Legal structure

The illustration below shows the current legal structure of the Group, which comprises NEL ASA as the parent and holding company and New NEL Hydrogen Holding AS the primary subsidiary.




As of 31.12.2014

## Organisation and environment, staff and management

Following the restructuring from diagnostic research into a hydrogen company, NEL had no employees as per 31 December 2014. Acting Chief Executive Officer Lars Christian Stugaard is a temporary appointment, and has been seconded to the Company from Ferncliff TIH AS. The company practices a policy of equal treatment in connection with assignments and promotions, which will become relevant once the company begins hiring new staff.

As indicated above, the transition to the new business model entailed the company releasing all of its employees. This naturally impacted the working environment during the downsizing process. No accidents or injuries were recorded in 2014. In 2014, the sick leave rate was 0%, compared to 2% in 2013.

At the extraordinary general meeting on 19 December 2014, a new board of directors was elected, comprising Martin Nes (chairman), Øystein Stray Spetalen, Jan Christian Opsahl, Eva Dugstad, Anne Marie Gohli Russell and Harald Arnet (deputy board member).

NEL does not pollute the external environment. NEL Hydrogen's operations are subject to numerous environmental requirements, and the company is committed to ensuring that its operations are safe and do not harm either its staff or the natural environment. NEL Hydrogen's employees are its most important resource, and the Company therefore strives to create a healthy and safe environment for all employees.  Quality, health, safety, environment is an integral part of the Company's business, and systems are in place to monitor and follow-up any and all accident and incidents.

## 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, which can be found on pages 18-24 of this annual report and on the Company's website.

## Corporate social responsibility

The board and management of NEL has implemented guidelines on values and ethics. The objective is to create a sound corporate culture and preserve the integrity of NEL by helping employees to practise good business standards. Raising awareness of the guideline has been the Company's main action in this area. The Company is not aware of any breach of the implemented guidelines.

The Company expects to implement more extensive guidelines and measures relating to corporate social responsibility following the acquisition of NEL Hydrogen.

## Shareholders and financing

NEL's shares are listed on the Oslo Stock Exchange under the ticker "NEL". At the end of 2014, the company had 338,939,104 outstanding shares, held by 3,214 shareholders. The nominal value of the NEL share is NOK 0.20 per share.

As a result of the rights issues completed in 2014 and the private placement and subsequent offering registered in January and February 2015, 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.

As of 29 April 2015, the Company has 398,929,104 shares outstanding, each with a nominal value of NOK 0.20.

The Company has given considerable emphasis to providing the shareholders and investors in general with timely, relevant new information on 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 tinvestors and private investors.

# FINANCE

## Income and operating costs

NEL generated revenues of NOK 12.1 million in 2014 (0.2), reflecting the acquisition of NEL Hydrogen. Operating expenses decreased to NOK 25.2 million (37.3) following the transition from a diagnostic research organisation to a hydrogen-focused entity. The cost of goods sold totalled NOK 3.4 million (0.5), while salaries and personnel expenses amounted to NOK 7.3 million (20.8). Depreciation and amortisation increased to NOK 3.6 million (0.7) under the new business model, with impairments of tangible and intangible assets equalling NOK 0.1 million (1.3). Other operating expenses were reduced to NOK 10.9 million (14.0).

Net financial income amounted to NOK 1.5 million (0.6), while pre-tax income totalled NOK -11.6 million (-36.6). Comprehensive income equalled NOK -6.5 million (-37.7).

The board of directors proposes that the loss for 2014, which totals NOK 6.5 million, be covered by transfers from the share premium account or other reserves.

## Financial position

Total assets stood at NOK 239.1 million (15.2) following the acquisition of NEL Hydrogen, including intangible assets of NOK 108.9 million (0). Goodwill totalled NOK 60.8 million (0) as of 31 December 2014, while customer relationships were valued at NOK 32.2 million (0).

The acquisition of NEL Hydrogen AS is considered a business combination under IFRS 3, and consequently all acquired assets and assumed liabilities are accounted for at their fair value on the acquisition date. Based on the purchase price, the carrying amounts of NEL Hydrogen's assets and liabilities are deemed to represent fair value on the acquisition date. The gross purchase price was NOK 121.2 million. Adjusted for treasury shares held by NEL Hydrogen AS, the net purchase price was NOK 118.1 million. The book value of equity equals NOK 43.7 million, resulting in an excess value of NOK 74.1 million. Adjusted for pre-acquisition goodwill of NOK 24.1 million, an excess value of NOK 98.5 million remains to be allocated.

The identified intangible assets include customer contracts (NOK 9.6 million), related customer relationships (NOK 33.0 million), technology (NOK 9 million) and deferred tax on excess value amounts (NOK 13.9 million). This leaves recognised goodwill of NOK 60.8 million. In accordance with IFRS, goodwill is not amortised, but assessed for impairment. No impairment has been recorded.

As of 31 December 2014, investments in tangible fixed assets amounted to NOK 5.1 million (0.3), with land, buildings and other property totalling NOK 3.9 million (0). Inventory ended at NOK 6.1 million (0) and total receivables at NOK 20.3 million (3.4). The Company actively strengthened its financial position during the year, including through three equity issues, on 15 April 2014, 20 October 2014 and 13 November 2014. As of 31 December 2014, the company had cash and cash equivalents of NOK 98.5 million (11.5).

Based on the strategy and ramp-up plan for NEL Hydrogen, the board has proposed that no dividend be paid for 2014.

## Cash flow

Net cash flow from operating activities increased to NOK 4.3 million (-35.5), while investments in tangible fixed assets totalled NOK 37.5 (0). Net cash flow from share issues was NOK 112.6 million (30.2), while net cash from long-term liabilities ended at NOK 7.6 million (-1.7). The cash balance on 31 December 2014 amounted to NOK 98.5 million (11.5).

# RISKS

## Risk exposure and risk management

NEL's regular business activities entail exposure to various types of risk. The Company proactively manages such risks and the board of directors 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 complete range of risk factors is discussed in detail in Note 23.

## Outlook

By targeting a broader market and continuously improving its products, NEL aims to maintain and strengthen its position as a world-leading manufacturer of hydrogen electrolysis generators, and to play an important role in the different markets for utilisation of hydrogen. The following three principles constitute the foundation for NEL's strategy going forward;

**Increasing market share in the market for hydrogen as an input factor**
NEL's main product is its line of atmospheric hydrogen generators for large scale applications and customers who want a stable supply of hydrogen. NEL is already well positioned in the traditional industrial market for hydrogen as an input factor, and has made several deliveries to new industrial markets (e.g. polysilicon production). To gain further market share, NEL will continue to develop its atmospheric generator portfolio on both a technological basis and through standardisation to enable the Company to offer even more competitive products.

**Adapting to the growing and changing energy carrier market**
One of the markets in which NEL wants to position itself is the market for hydrogen as an energy carrier. Although the market remains at a nascent stage, it is potentially several times larger than the present electrolyser market. NEL expects to give high priority to the development of products for this market. The market is directly related to growing demand for renewable energies and the shift from fossil to renewable fuels, which is gaining increasing momentum globally. The energy markets are demanding flexibility in hydrogen production reflecting the natural fluctuations in renewable electricity generation from sources such as wind and solar power. Industry is also making stronger demands for supply security than before. NEL aims to apply its unique knowledge, experience and position in relation to large-scale hydrogen generators to these new markets, both through further development of atmospheric units and a strengthened focus on the marketing of its pressurised unit (the NEL P-60). NEL will also increasingly focus on partnerships with key stakeholders going forward. Furthermore, NEL will consider strategic acquisitions of complementary technological solutions to fortify its product range to serve the full specter of the market.

**Complete solutions for hydrogen refuelling stations:**
NEL aims to deliver a complete solution – from production of hydrogen to refuelling of vehicles – through its investment and ownership in the company Hyme AS, which has decades of experience in the design and operation of hydrogen refuelling stations. This initiative is being timed with the

global launch of hydrogen fuel cell electric vehicles. NEL's existing international presence means that it is well-positioned to market this concept globally as the market for hydrogen refuelling stations grows. Since they have no carbon footprint, hydrogen and electricity are set to become the main energy carriers of the future. The superior energy efficiency, design and scalability of NEL Hydrogen's unique electrolyser technology are set to facilitate profitable growth in harmony with a zero-emission vision of the future.

## Healthcare

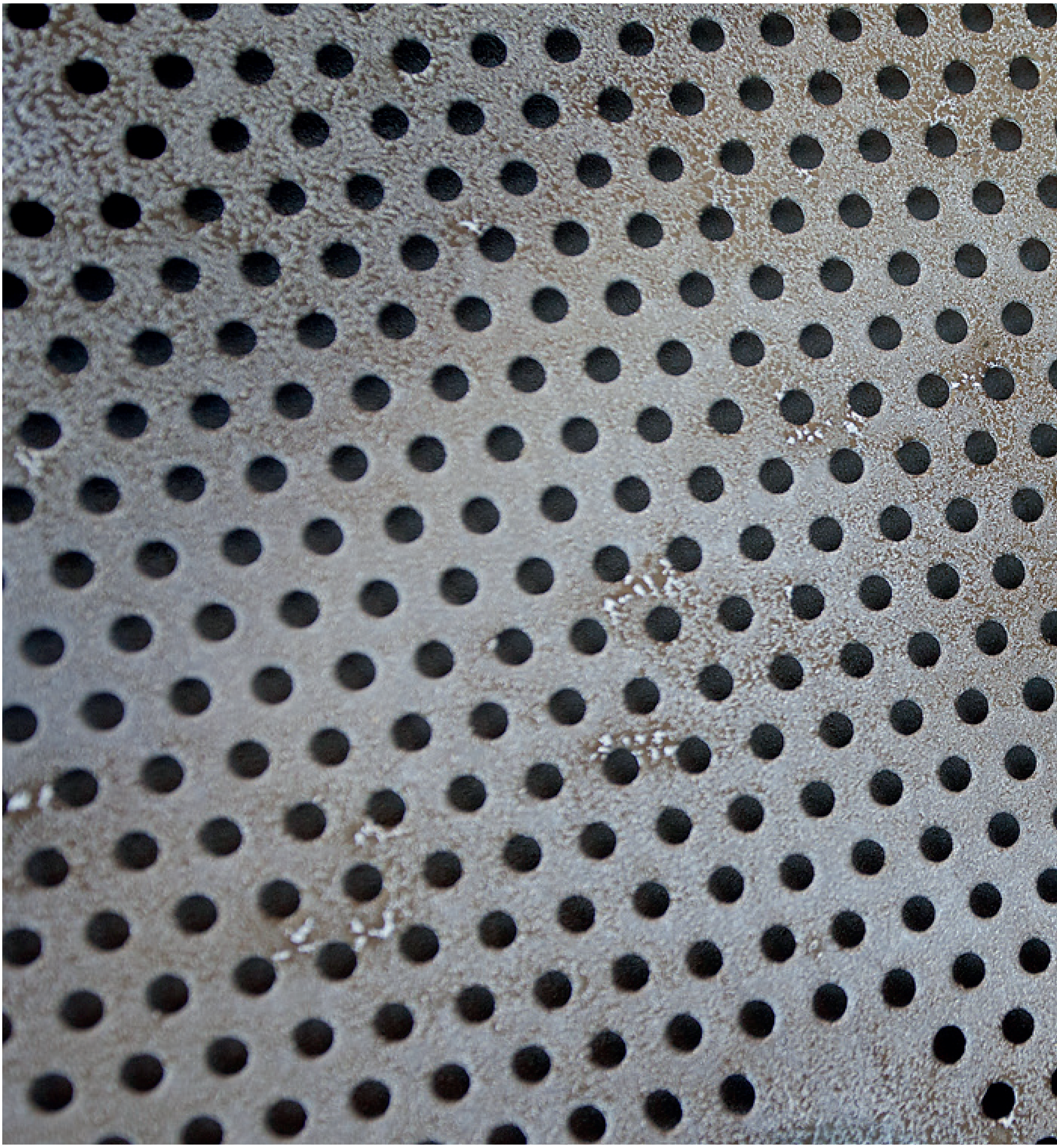
NEL holds five patent families and over 100 patents granted in the healthcare sector. NEL is evaluating the options for its healthcare division, including mergers, acquisitions and strategic partnerships.

## Subsequent events

- 12 January: The share capital increase pertaining to the 50 million new shares issued through the private placement was registered with the Norwegian Register of Business Enterprises. The Company's registered share capital was NOK 77,785,820.80, corresponding to a total of 388,929,104 shares with a nominal value of NOK 0.20 per share.
- 23 January: The subsequent offering that was announced on 12 January was oversubscribed, and generated gross proceeds of NOK 13 million through the issue of 10 million new shares at a subscription price of NOK 1.30.
- 2 February: The share capital increase pertaining to the 10 million new shares issued through the subsequent offering was registered with the Norwegian Register of Business Enterprises. The Company's new registered share capital is NOK 79,785,820.80, corresponding to a total of 398,929,104 shares with a nominal value of NOK 0.20 per share. There are no share options.
- 20 April: The Company increased its ownership in Hyme AS from 31% to 56.8% by way of a share issue.
- After completion of the subsequent offering, NEL ASA's cash holdings total approximately NOK 170 million.

Oslo, 29 April 2015
The board of directors

| | | |
|---|---|---|
| Øystein Stray Spetalen<br>Board member<br>Signature | Martin Nes<br>Chairman<br>Signature | Anne Marie Gohli Russel<br>Board member<br>Signature |
| Eva Dugstad<br>Board member<br>Signature | Jan Christian Opsahl<br>Board member<br>Signature | Lars Christian Stugaard<br>CEO<br>Signature |



# 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 the board has adopted 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. Following the acquisition of NEL Hydrogen, such guidelines may be developed and current policy documents may be revised.

## 2. Business

Following the acquisition of NEL Hydrogen, the Articles of Associations reflects the new strategy. The company's business strategy is described in the annual report under "Report from the board of directors".

## 3. Capital and dividend

In 2014, NEL developed and executed a new strategy occasioned by the acquisition of NEL Hydrogen. Simultaneously with the turnaround operation, restructuring and M&A activities, the Company significantly strengthened its balance sheet through share issues.

- 22 January 2014: Share issue of NOK 50 million, by way of a rights issue with preferential rights for Diagenic shareholders. The Company secured a full underwriting of the rights issue by a syndicate consisting of large existing shareholders in Diagenic, including Alfred Berg, Arkipel, MP Pensjon, Spar Kapital Investor, Storebrand Vekst, Corona Maritime, Gross Management and Ferncliff Listed DAI. The underwriting agreement was concluded at NOK 0.50 per share, which was the proposed subscription price in the rights issue.
- 11 April 2014: The share capital increase pertaining to the private placement was registered with the Norwegian Register of Business Enterprises. The Company's new registered share capital was NOK 21,631,974.60, corresponding to a total of 108,159,873 shares with a nominal value of NOK 0.20 per share.
- 10 October 2014: Private placement of 53,846,154 new shares totalling NOK 35 million, with pre-emptive rights for shareholders in the Company. Each new share had a nominal value of NOK 0.20 and a subscription price of NOK 0.65 per share. The net proceeds from the private placement provided growth capital for the new business area resulting from the acquisition of NEL Hydrogen and facilitated payment of the cash consideration in the acquisition.

- 20 October 2014: A private placement completed 10 October 2014 was registered with the Norwegian Register of Business Enterprises. After completion, the Company had 285,082,950 shares outstanding, each with a nominal value of NOK 0.20.
- 13 November 2014: Share capital increase pertaining to the 53,846,154 new shares issued through the rights issue registered with the Norwegian Register of Business Enterprises. The Company's new registered share capital was NOK 67,785,821, corresponding to a total of 338,929,104 shares with a nominal value of NOK 0.20 per share.
- 27 November 2014: Private placement of 50,000,000 new shares , each with a par value of NOK 0.20, at a price of NOK 1.30 per share. The share private placement was conditioned upon approval by the Company's extraordinary general meeting to be held 19 December 2014:

**On 19 December 2014, an extraordinary general meeting authorised the board of directors to increase the Company's share capital. The following conditions, among others, applied:**
- The share capital may be increased by up to NOK 33,892,910 in one or several tranches.
- The authorisation to acquire shares shall be used for one or more of the following purposes:
  - in connection with investments, mergers and acquisitions, and/or
  - to provide the Company with financial flexibility.
- The shareholders' pre-emptive rights under section 10-4 of the Norwegian Public Limited Liability Companies Act may be set aside.
- The authorisation shall remain in force until the annual general meeting in 2015, but in no event beyond 30 June 2015.

Under the Company's new strategy, and following the recent strengthening of the balance sheet, dividends are not currently part of the plan for this stage of the business development process.

## Subsequent events
- 12 January 2015: The share capital increase pertaining to the 50 million new shares issued through the private placement was registered with the Norwegian Register of Business Enterprises. The Company's registered share capital was NOK 77,785,820.80, corresponding to a total of 388,929,104 shares with a nominal value of NOK 0.20 per share.
- 23 January: The subsequent offering that was announced on 12 January was oversubscribed, and generated gross proceeds of NOK 13 million through the issue of 10 million new shares at a subscription price of NOK 1.30.
- 2 February: The share capital increase pertaining to the 10 million new shares issued through the subsequent offering was registered with the Norwegian Register of Business Enterprises. The Company's new registered share capital is NOK 79,785,820.80, corresponding to a total of 398,929,104 shares with a nominal value of NOK 0.20 per share. There are no share options.
- After completion of the subsequent offering, NEL ASA's cash holdings total approximately NOK 170 million.

## 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. The company has no authorisation to repurchase its own shares.

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 has only one share class and free transferability of shares. Consideration shares issued to key employees in connection with the acquisition of New NEL Hydrogen Holding AS are subject to lock-up. 27,692,308 consideration shares held by key employees have a lock-up period until 17 October 2018 and 27,692,307 consideration shares held by the same key employees have a lock-up until 17 October 2016. In addition, 6,153,846 shares held by management shareholders have a lock-up until 1 September 2016 and 61,538,462 shares held by non-management shareholders have a lock-up until 17 October 2015.

## 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 endeavours 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.

The general meeting has not voted on individual members to the board of directors and nomination committee. The reason therefore is that the proposal for members to the board of directors is intended to be made as one coherent proposal. In addition, individual voting may result in the election of a board of directors which does not comply with applicable requirements, such as the company's articles of association or the Norwegian gender equality rules.

## 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 extraordinary general meeting on 19 December 2014, the following persons were elected to the nomination committee and serve until the 2015 annual general meeting:

- Glen Ole Rødland, chairman
- Magne Myrehaug, member
- Leif Eriksrød, 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 extraordinary general meeting on 19 December 2014, five board members were elected (two women and three men), in addition to one deputy member.

Acting CEO Lars Christian Stugaard is employed on a management-for-hire contract with investment group and NEL shareholder Ferncliff TIH AS ("Ferncliff"). Ferncliff is associated with chairman Martin Nes and board member Øystein Stray Spetalen.

The Company has been invoiced a total of NOK 950 000 for the acting CEO's services. In total, Ferncliff has invoiced NOK 1.2 million.

Jan Christian Opsahl and Eva Dugstad are considered independent from the company's day-to-day management. Anne Marie Gohli Russell is New NEL Hydrogen AS's logistics manager.

The board is authorised to assess the day-to-day management and significant contracts entered into by the Company on an independent basis. The board's current composition is set out in the annual report together with key information highlighting the directors' expertise.

**The shareholdings of directors and senior management:**

| Shares represented/owned by board members | Assignment | Number of shares |
|---|---|---|
| Martin Nes 1) | Chair of Board | 2 653 846 |
| Øystein S. Spetalen 2) | Board member | 74 901 608 |
| Anne Marie Gohli Russel | Board member | 276 923 |
| Jan Christian Opsahl 3) | Board member | 20 700 393 |
| Eva Karin Sandanger Dugstad | Board member | 0 |

1) Represents Hanekamb Invest AS
2) Represents Strata Marine & Offshore AS, Ferncliff Maris AS, Gross Management AS
3) Represents Dallas Asset Management AS

| Shares and forward contracts by the management | | Number of shares |
|---|---|---|
| Lars Christian Stugaard v/LCS AS | CEO | 1 530 769 |

## 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 organised 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 chairman ensures the proper functioning of the board. The chairman chairs board meetings and prepares board matters in cooperation with the CEO. The chairman 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 2014, the board of directors conducted 17 board meetings.

## 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 organisational 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 systems 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 behaviour 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 the period from May 2014 to the annual general meeting in 2015 was approved by the general meeting on 22 May 2014. The annual general meeting set the remuneration to NOK 250 000 for the chairman and NOK 120 000 for each of the other directors. If a new board member is elected between two annual general meetings, the remuneration is allocated proportionately between the old and new board members.

The remuneration for the nomination committee for the period from May 2014 to the annual general meeting in 2015 was approved by the general meeting on 22 May 2014. The annual general meeting set the remuneration to NOK 40 000 for the chairperson and NOK 20 000 for each of the members.

## 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.

Acting CEO Lars Christian Stugaard is employed on a management-for-hire contract with Ferncliff TIH AS. The Company has been invoiced a total of NOK 950 000 for the acting CEO's services. In total, Ferncliff has invoiced NOK 1.2 million.

## 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.nel-hydrogen.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 CEO.

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 authorised 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, the company's board and management will endeavour to ensure the equal treatment of shareholders. The board will ensure that shareholders are given information and time to evaluate the bid, and will endeavour 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 reviewed. However, the company has not met with the auditor for the purpose of conducting an annual review of the company's internal control procedures; see section 10 above regarding the internal control requirement. The auditor presents an annual audit plan to the board.

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 5 to the annual accounts, and is categorised 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

## Martin Nes, chairman

CEO of the Ferncliff Group. Martin Nes has a law degree from the University of Oslo, and also holds a Master of Laws degree from University of Southampton, England. He previously spent several years with the Norwegian law firm Wikborg Rein, working in both the Oslo and London offices, and with the shipping law firm Evensen & Co. Mr Nes has extensive corporate experience and is chairman and/or a member of the boards of several listed companies, including SD Standard Drilling Plc, Aqualis ASA, Nickel Mountain Group AB, Saga Tankers ASA and Weifa ASA.

## Øystein Stray Spetalen, board member

Øystein Stray Spetalen is the chairman and owner of the investment firm Ferncliff TIH AS. He is an independent investor, and has previously worked for the Kistefos Group as an investment manager, as a corporate advisor at various investment banks, and as a portfolio manager for Gjensidige Forsikring. Mr Spetalen is a chartered petroleum engineer, educated at the Norwegian University of Science and Technology. He is a Norwegian citizen and resides in Oslo, Norway.

## Jan Christian Opsahl, board member

Jan Christian Opsahl holds a degree in business and computer science from the University of Strathclyde in Glasgow. He is also a Sloan Fellow from London Business School/M.I.T. In the period 1985–2008, he was President/CEO and chairman of the board of Tomra Systems ASA. From 1988 to 1997, he was President/CEO of Tandberg ASA, serving as executive chairman of the board in the period 1997–2010. He was chairman of the board of Tandberg Television ASA from 1989 to 2007, and deputy chairman of the board of Komplett from 1996 to 2003.

## Eva Dugstad, board member

Eva Dugstad holds a Cand. Pharm. degree from the University of Oslo. Her previous appointments include that of head of research at the Institute for Energy Technology (IFE), research director for Sector Nuclear Technology and Physics, and Deputy Managing Director of IFE. In the period 2000–2002, she worked with research and quality assurance issues for Photocure AS, and was responsible for the pharmaceutical development of a new product in the cancer treatment field. In 2002-2003 she worked as qualified person at Norsk Medisinaldepot. Ms Dugstad has been involved in various committees and boards in both the public and private sectors.

### Anne Marie Gohli Russell, board member

Anne Marie Gohli Russell has been with NEL Hydrogen (Norsk Hydro Electrolysers) since 1986. In the period 1986 to 1993, she worked as a secretary in the project department. From 1993 to 1998, she was a senior secretary and transport coordinator. From 1998 to 2013, she was employed as a purchasing manager, and has been a logistics manager for the company since 2013.

### Harald Arnet, deputy board member

Harald Arnet is the CEO of, and a partner at, Datum AS. He has more than 30 years' national and international experience of corporate finance, industrial transactions and financial investments. Mr Arnet holds and has held several board positions in listed and unlisted companies including Datum AS, Wega Mining ASA, Trojan AS and Maximus AS.

## MANAGEMENT

### Lars Christian Stugaard, acting Chief Executive Officer

Lars Christian Stugaard has been appointed acting Chief Executive Officer (CEO) of NEL ASA, effective from 1 April 2014. Mr Stugaard is also CEO of Strata Marine & Offshore AS, and has worked for the Ferncliff Group since 2003. During his 11-year tenure with Ferncliff, he has worked in the fields of financial management, general business development and analysis. He holds a BSc degree from the Norwegian School of Management in Oslo.

# NEL ASA
# Statement of comprehensive income

(Amounts in NOK)

| Group 2014 | Group 2013 | NOTE | OPERATING INCOME AND OPERATING EXPENSES | ASA 2014 | ASA 2013 |
|---|---|---|---|---|---|
| 200 000 | 156 940 | 3 | Operating income | 12 066 638 | 156 940 |
| **200 000** | **156 940** | | Total operating income | **12 066 638** | **156 940** |
| – | 554 274 | | Cost of goods sold | 3 360 943 | 554 274 |
| 1 787 268 | 20 842 998 | 5 | Salaries and personnel expenses | 7 342 310 | 20 842 998 |
| – | 731 087 | 11,12 | Depreciation and amortisation | 3 551 095 | 731 087 |
| 100 000 | 1 194 804 | 11 | Impairment of tangible and intangible assets | 100 000 | 1 194 804 |
| 7 977 127 | 14 019 200 | 5,8 | Other operating expenses | 10 884 828 | 14 019 200 |
| **9 864 395** | **37 342 364** | | Total operating expenses | **25 239 176** | **37 342 364** |
| **-9 664 395** | **-37 185 424** | | Operating profit / (loss) | **-13 172 538** | **-37 185 424** |
| | | | **FINANCIAL INCOME AND FINANCIAL EXPENSES** | | |
| 929 433 | 563 640 | 22 | Interest income | 935 996 | 563 640 |
| 16 255 559 | – | | Financial income group | – | – |
| 20 416 | 179 085 | 8,22 | Other financial income | 876 963 | 179 085 |
| 73 | 51 004 | 22 | Interest expense | 142 686 | 51 004 |
| 19 534 | 138 898 | 8,22 | Other financial expenses | 130 905 | 138 898 |
| **17 185 801** | **552 823** | | Net financial items | **1 539 368** | **552 823** |
| **7 521 406** | **-36 632 601** | | Pre-tax profit / (loss) | **-11 633 170** | **-36 632 601** |
| – | – | 9 | Tax for the year | 5 121 808 | – |
| **7 521 406** | **-36 632 601** | | Net profit / (loss) | **-6 511 362** | **-36 632 601** |
| | | | Other comprehensive income not to be reclassified to profit or loss in subsequent periods | | |
| **–** | **1 029 648** | | Remeasurement gains/(losses) on defined benefit plans | **–** | **1 029 648** |
| **7 521 406** | **-37 662 249** | | Comprehensive income profit / (loss) | **-6 511 362** | **-37 662 249** |
| | | | **TRANSFER AND ALLOCATIONS** | | |
| 7 521 406 | -37 662 249 | | Transferred to retained earnings | -6 511 362 | -37 662 249 |
| 7 521 406 | -37 662 249 | | Total transfer and allocations | -6 511 362 | -37 662 249 |
| | | 10 | Earnings per share | -0,02 | -5,66 |
| | | 10 | Diluted earnings per share | -0,02 | -5,66 |

# NEL ASA
## Statement of financial position as of 31 December

(Amounts in NOK)

| Group 2014 | Group 2013 | NOTE | ASSETS | ASA 2014 | ASA 2013 |
|---|---|---|---|---|---|
| | | | **NON-CURRENT ASSETS** | | |
| | | | **Intangible assets** | | |
| – | – | 11 | Technology | 8 775 000 | – |
| – | – | 11 | Customer relationship | 32 175 000 | – |
| – | – | 11 | Customer contracts | 7 200 000 | – |
| – | – | 11 | Goodwill | 60 798 914 | – |
| – | – | | **Total intangible assets** | 108 948 914 | – |
| | | | **Tangible fixed assets** | | |
| – | – | 12 | Land, buildings and other property | 3 893 100 | – |
| – | 334 940 | 12 | Machinery, equipment, fixtures and fittings etc. | 1 173 636 | 334 940 |
| – | 334 940 | | **Total tangible fixed assets** | 5 066 736 | 334 940 |
| | | | **Financial assets** | | |
| – | – | 19 | Investments in associates | 262 750 | – |
| 120 000 000 | – | 20,21 | Investments in group companies | – | – |
| 120 000 000 | – | | Total pension assets | 262 750 | – |
| 120 000 000 | 334 940 | | **Total non-current assets** | 114 278 400 | 334 940 |
| | | | **CURRENT ASSETS** | | |
| | | | Inventory | | |
| – | – | 13 | Inventories | 6 071 115 | – |
| | | | **Receivables** | | |
| – | 56 407 | 18,22 | Accounts receivable | 18 926 648 | 56 407 |
| 16 505 559 | – | | Accounts receivable group companies | – | – |
| 608 041 | 3 340 759 | 18,22 | Other receivables | 1 405 693 | 3 340 759 |
| 17 113 600 | 3 397 166 | | **Total receivables** | 20 332 341 | 3 397 166 |
| 75 737 577 | 11 492 216 | 14 | Cash and cash equivalents | 98 497 355 | 11 492 216 |
| 92 851 177 | 14 889 382 | | **Total current assets** | 124 900 811 | 14 889 382 |
| 212 851 177 | 15 224 322 | | **TOTAL ASSETS** | 239 179 211 | 15 224 322 |

# NEL ASA
## Statement of financial position as of 31 December

(Amounts in NOK)

| Group 2014 | Group 2013 | NOTE | EQUITY AND LIABILITIES | ASA 2014 | ASA 2013 |
|---|---|---|---|---|---|
| | | | **EQUITY** | | |
| | | | **Paid in capital** | | |
| 67 785 821 | 1 631 975 | 15 | Share capital | 67 785 821 | 1 631 975 |
| 135 547 534 | 45 015 301 | | Share premium | 133 462 534 | 45 015 301 |
| – | -309 883 | | Other capital reserves | 1 200 000 | -309 883 |
| **203 333 355** | **46 337 393** | | **Total paid in capital** | 202 448 355 | 46 337 393 |
| | | | **Other equity** | | |
| 7 521 405 | -37 662 249 | | Retained earnings | -6 511 362 | -37 662 249 |
| **7 521 405** | **-37 662 249** | | Total other equity | -6 511 362 | -37 662 249 |
| **210 854 760** | **8 675 143** | | **Total equity** | 195 936 993 | 8 675 143 |
| | | | **Non-current liabilities** | | |
| | | | **Provisions** | | |
| – | – | 9 | Deferred tax | 15 983 733 | – |
| – | – | | **Total provisions** | 15 983 733 | – |
| | | | **Long term debt** | | |
| – | – | 18,22 | Other long term debt | 7 577 784 | – |
| – | – | | **Total non-current liabilites** | 7 577 784 | – |
| | | | **Current liabilities** | | |
| 1 355 005 | 276 731 | | Accounts payable | 3 099 501 | 276 731 |
| 309 745 | 1 672 772 | | Public duties payable | 1 734 666 | 1 672 772 |
| 331 666 | 4 599 676 | 18 | Other current liabilities | 14 846 534 | 4 599 676 |
| 1 996 417 | 6 549 179 | | **Total current liabilities** | 19 680 701 | 6 549 179 |
| 1 996 417 | 6 549 179 | | **Total liabilities** | 43 242 218 | 6 549 179 |
| **212 851 177** | **15 224 322** | | **TOTAL EQUITY AND LIABILITIES** | 239 179 211 | 15 224 322 |

Oslo, 29.4.2015

Øystein Stray Spetalen
Board member
Signature

Martin Nes
Chairman
Signature

Anne Marie Gohli Russel
Board member
Signature

Eva Dugstad
Board member
Signature

Jan Christian Opsahl
Board member
Signature

Lars Christian Stugaard
CEO
Signature

# NEL ASA
# Statement of cash flows

(Amounts in NOK)

## Group

| CASH FLOWS FROM OPERATING ACTIVITIES | Notes | 2014 | 2013 |
|---|---|---|---|
| Loss before tax | | -6 511 362 | -37 662 249 |
| Depreciation and amortisation | 11,12 | 3 551 095 | 731 087 |
| Write-downs of tangible fixed assets | 12 | 100 000 | 1 194 804 |
| Fair value granted option rights | | – | -309 883 |
| Change in provisions | | 15 983 733 | -1 294 020 |
| Change in inventories | 13 | -6 071 115 | 923 896 |
| Change in trade payable | | 2 822 770 | -1 534 945 |
| Changes in other current assets and other liabilities | 18 | -5 526 421 | 2 458 329 |
| **Net cash flow from operating activities** | | **4 348 700** | **-35 492 981** |
| | | | |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | | | |
| Proceeds from sale of tangible fixed assets | | – | 8 246 |
| Acqusition of subsidiaries | 20,21 | -37 494 555 | – |
| **Net cash flow from investment activities** | | **-37 494 555** | **8 246** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net cash flow from share issue | 10 | 112 573 211 | 30 198 000 |
| Net cash from long term liabilities | | 7 577 784 | -1 666 667 |
| **Net cash flow from financing activities** | | **120 150 995** | **28 531 333** |
| | | | |
| Net change in cash and cash equivalents | | 87 005 140 | -6 953 623 |
| Cash balance as of January 1st | 14 | 11 492 216 | 18 445 839 |
| **Cash balance as of 31st of December** | | **98 497 355** | **11 492 216** |

# NEL ASA
# Statement of cash flows

(Amounts in NOK)

### ASA

| CASH FLOWS FROM OPERATING ACTIVITIES | Notes | 2014 | 2013 |
|---|---|---|---|
| Loss before tax | | 7 521 406 | -37 662 249 |
| Depreciation and amortisation | 11,12 | – | 731 087 |
| Write-downs of tangible fixed assets | 12 | 100 000 | 1 194 804 |
| Fair value granted option rights | | – | -309 883 |
| Change in provisions | | – | -1 294 020 |
| Change in inventories | 13 | – | 923 896 |
| Change in trade payable | | 1 078 274 | -1 534 945 |
| Changes in other current assets and other liabilities | 18 | -19 112 530 | 2 458 329 |
| **Net cash flow from operating activities** | | **-10 412 850** | **-35 492 981** |
| | | | |
| CASH FLOWS FROM INVESTMENT ACTIVITIES | | | |
| Proceeds from sale of tangible fixed assets | | – | 8 246 |
| Acqusition of subsidiaries | 20,21 | -40 000 000 | – |
| **Net cash flow from investment activities** | | **-40 000 000** | **8 246** |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net cash flow from share issue | 10 | 114 658 212 | 30 198 000 |
| Net cash from long term liabilities | | - | -1 666 667 |
| **Net cash flow from financing activities** | | **114 658 212** | **28 531 333** |
| | | | |
| Net change in cash and cash equivalents | | 64 245 362 | -6 953 623 |
| Cash balance as of January 1st | 14 | 11 492 216 | 18 445 839 |
| **Cash balance as of 31st of December** | | **75 737 577** | **11 492 216** |

# NEL ASA
## Statement of changes in equity

(Amounts in NOK)

### Group

| | Number of shares | Share capital | Share premium | Other reserve | Other equity | Total equity |
|---|---|---|---|---|---|---|
| **Equity as of 1st of January 2013** | **27 023 652** | **13 511 826** | **38 497 375** | **367 448** | **-35 927 153** | **16 449 496** |
| Allocation of net loss 2012 | | | -35 559 705 | -367 448 | 35 927 153 | – |
| Fair value granted options | | | | -309 883 | | -309 883 |
| Share issue 8th of April 2013 | 50 000 000 | 25 000 000 | 5 000 000 | | | 30 000 000 |
| Share issue 8th of May 2013 | 4 575 078 | 2 287 539 | 457 508 | | | 2 745 047 |
| Share capital reduction 16th of August 2013 *) | -73 438 857 | -39 167 390 | 39 167 390 | | | – |
| Share issue expence | | | -2 547 267 | | | -2 547 267 |
| Other comprehensive income | | | | | -1 029 648 | -1 029 648 |
| Net profit(loss) | | | | | -36 632 601 | -36 632 601 |
| **Equity as of 31st of December 2013** | **8 159 873** | **1 631 975** | **45 015 300** | **-309 883** | **-37 662 249** | **8 675 143** |
| Allocation of comprehensive loss | | | -37 972 132 | 309 883 | 37 662 249 | – |
| Treasury shares | | | -2 085 000 | | | -2 085 000 |
| Transaction cost | | | -5 341 789 | | | -5 341 789 |
| Increase of capital 15.4.14 | 100 000 000 | 20 000 000 | 30 000 000 | | | 50 000 000 |
| Increase of capital 20.10.14 | 176 923 077 | 35 384 615 | 79 615 385 | | | 115 000 000 |
| Increase of capital 13.11.14 | 53 846 154 | 10 769 231 | 24 230 769 | | | 35 000 000 |
| Fair value adjustment acqusition of NEL Hydrogen **) | | | | 1 200 000 | | 1 200 000 |
| Comprehensive income 1.1.-31.12.2014 | | | | | -6 511 362 | -6 511 362 |
| **Equity as of 31st of December 2014** | **338 929 104** | **67 785 821** | **133 462 534** | **1 200 000** | **-6 511 362** | **195 936 993** |

Costs related to  share issue in 2013 are booked as a reduction of share premium reserve in 2013 with NOK 2,547,267.
*) Reversed share split with ratio 10:1 on the same day of the share capital reduction.
Costs related to share issue in 2014 are booked as a reduction of share premium reserve in 2014 with NOK 5,341,789.
**) Relates to difference between fair value of shares issued and acquisition price. Please see note 21.

# NEL ASA
# Statement of changes in equity

(Amounts in NOK)

### ASA

| | Number of shares | Share capital | Share premium | Other reserve | Other equity | Total equity |
|---|---|---|---|---|---|---|
| **Equity as of 1st of January 2013** | **27 023 652** | **13 511 826** | **38 497 375** | **367 448** | **-35 927 153** | **16 449 496** |
| Allocation of net loss 2012 | | | -35 559 705 | -367 448 | 35 927 153 | – |
| Fair value granted options | | | | -309 883 | | -309 883 |
| Share issue 8th of April 2013 | 50 000 000 | 25 000 000 | 5 000 000 | | | 30 000 000 |
| Share issue 8th of May 2013 | 4 575 078 | 2 287 539 | 457 508 | | | 2 745 047 |
| Share capital reduction 16th of August 2013 *) | -73 438 857 | -39 167 390 | 39 167 390 | | | – |
| Share issue expence | | | -2 547 267 | | | -2 547 267 |
| Other comprehensive income | | | | | -1 029 648 | -1 029 648 |
| Net profit(loss) | | | | | -36 632 601 | -36 632 601 |
| **Equity as of 31st of December 2013** | **8 159 873** | **1 631 975** | **45 015 300** | **-309 883** | **-37 662 249** | **8 675 143** |
| Allocation of comprehensive loss | | | -37 972 132 | 309 883 | 37 662 249 | – |
| Transaction cost | | | -5 341 789 | | | -5 341 789 |
| Increase of capital 15.4.14 | 100 000 000 | 20 000 000 | 30 000 000 | | | 50 000 000 |
| Increase of capital 20.10.14 | 176 923 077 | 35 384 615 | 79 615 385 | | | 115 000 000 |
| Increase of capital 13.11.14 | 53 846 154 | 10 769 231 | 24 230 769 | | | 35 000 000 |
| Consideration | | | | | | – |
| Comprehensive income 1.1.-31.12.2014 | | | | | 7 521 405 | 7 521 405 |
| **Equity as of 31st of December 2014** | **338 929 104** | **67 785 821** | **135 547 534** | **–** | **7 521 405** | **210 854 760** |

Costs related to  share issue in 2013 are booked as a reduction of share premium reserve in 2013 with NOK 2,547,267.
*) Reversed share split with ratio 10:1 on the same day of the share capital reduction.
Costs related to share issue in 2014 are booked as a reduction of share premium reserve in 2014 with NOK 5,341,789.

# NEL ASA
# Notes to the accounts for 2014

(Amounts in NOK)

## Note 1 Company information

NEL ASA and its subsidiaries is a world-leading supplier of hydrogen production plants based on alkaline water electrolyser technology. The company dates back to 1927 when Norsk Hydro developed large scale electrolyser plants providing hydrogen for use in ammonia production with fertilizer as the end product. Since then the electrolyser technology has been improved continuously, and NEL Hydrogen AS has also built up unique experience and know-how on hydrogen refueling stations and power-to-gas systems. NEL ASA develops diagnostic tests for the early detection of diseases based on gene expression signatures in blood samples. 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 company's head office is in Sjølyst plass 2, NO-0278 Oslo, Norway.
The annual accounts were approved by the Board of Directors on 29th of April, 2015.

## Note 2 Accounting principles and estimates

### ACCOUNTING PRINCIPLES

**Basis for the preparation of the annual accounts**

The company's consolidated financial statements and the company`s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which are approved by EU. Accounts are based on the principles of historical cost. The consolidated financial statements are presented in Norwegian kroner, which is also the functional currency of the company. The financial statements are prepared based on a going concern assumption.

### CONSOLIDATION PRINCIPLES

**Subsidiaries**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**Business combinations and goodwill**
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 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 administrative 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 at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 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.

## THE USE OF ESTIMATES

The preparation of financial statements require the management to make assessments and to prepare estimates and assumptions that influence amounts recognised 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. Critical accounting estimates for NEL are as follows:

**Acquisition**
There was prepared an acquisition analysis which identifiable assets and liabilities are measured at fair value at the acquisition date. The Group must allocate the cost of acquired companies on acquired assets and liabilities measured at fair value. The valuations require the management to make significant evaluation of chosen methods, estimates and assumptions. Significant intangible assets that the Group has recognized include customers and technology. Assumptions as a basis for valuation are not limited to, the estimated average lifetime of the customer relationship and technology.

**Deferred tax asset**
NEL provides for expected tax assets on the basis of estimates. The deferred tax asset relates to the Company's significant carry loss forward that is not capitalized. When the final outcome deviates from the estimates that are basis for the original provision, the deviations will affect the tax expense and the provision for deferred tax in the period in which the decision is made. The deferred tax asset of loss carry forwards is included when it is probable that the loss carry forward can be utilized. Historical earnings and expected future earnings will be used as the basis for assessing probability in this context.

**Goodwill**

In accordance with IFRS the company tests annually whether it is necessary to do an impairment of capitalised goodwill. The value of the cash generating unit 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 budgeted 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, returns and value added taxes. Revenue is recognised 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. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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**

Long-term projects based on contract or arrangement whereby the Group uses the percentage of completion. Completion is measured by physical measurement of progress. Revenue is recognized in 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.

**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
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- 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. Research and development costs consist of costs relating to the company's own research and laboratory department, costs relating to the purchase of external laboratory- and research services and clinical studies. Capitalised development costs are recognised at cost price after the deduction of accumulated depreciation and impairments. The capitalised value is amortised over the period of expected future earnings from the related project. 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 in the income statement when there is reasonable assurance that the grant will be received and that the terms that are related to the grant are met. Accounting for the grant is recognized on a systematic basis over the grant period. Contributions are classified as a cost reduction and are recognized at the same time with the cost to reduce.

**Pensions**

The Company 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 payroll 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 a rate of 27% 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 recognised if it is probable that the company will have a sufficient tax profit to be able to utilise the tax asset. On each balance sheet date, the company will review any deferred tax asset not recognised in the income statement. The company recognises deferred tax assets not previously recognised in the accounts insofar as it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce the deferred tax asset insofar as it can no longer utilise it. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax and the deferred tax asset are recognised at their nominal value and are classified as non-current assets or long-term liabilities in the balance sheet. Unused loss carry forwards in the acquiring entity are recognised as deferred tax assets when it is expected that the loss can be utilised.

**Tangible assets**
Tangible assets are recognised 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 they are incurred under Operating expenses, while additional spending or improvements are added to the asset's cost price and depreciated in step with depreciation of the asset. The depreciation period and method and potential residual value are assessed annually to ensure that the method and period used are in accordance with the economic realities of the asset. The same applies correspondingly to the residual value.

**Receivables**
Receivable are recognized initially in the balance sheet at their fair value. Provision for bad debts is recognized in the accounts when objective indicators suggest that the group will not receive a settlement in accordance with the original terms. Significant financial problems at the customer, the probability that the customer will go into liquidation or undergo financial reconstruction, and postponements of or shortfalls in payment are regarded as indicators that a receivable needs to be written down. 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 and finished goods. Inventory is valued at the lower of cost and net selling price. Obsolescence is considered for inventory and write down performed on obsolete goods.

**Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Cash and cash equivalents**
Cash and cash equivalents includes cash, bank deposits and all other monetary items due within three months or less. No overdraft facilities are used by the Company.

**Impairment of tangible fixed assets, intangible assets and goodwill**
An assessment of impairment loss on other assets is made when there is an indication of impairment. Independent on whether there are indications of impairment, goodwill is tested for impairment annually.

If the impairment test reveals that an asset's carrying amount is higher than the recoverable amount, an impairment loss will be recognised in the income statement. The recoverable amount is the higher of the fair value less cost to sell and value in use (the discounted cash flow from continued use). The fair value less cost to sell is the amount that can be obtained in an orderly transaction between market participants minus 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 recognised 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 insofar as the carrying amount of the asset does not exceed the carrying amount that would have been determined (net after depreciation or amortisation) if no impairment loss had been recognised previously. The reversal of previous impairment loss is recognised when the reversal can be related to an event after the impairment loss has been recognised.

Impairment losses previously recognised on goodwill are not reversed.

**Foreign exchange risk and currency**
Transactions in foreign currencies are converted to functional currency (NOK) 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.

**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 that have been outstanding during the period, and which will have a diluting effect. Potential shares relate to agreements that confer the right to issue shares in future. When the company reports a negative result, the effect of potential shares is disregarded so that the calculation is the same as for earnings per share.

**Objectives, policies and processes for managing capital**
The company's objective is to manage the capital structure to safeguard the company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other shareholders. The company sets the size of capital in proportion to business strategy, risk and financial marked conditions. The company 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 company 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

**Provision, conditional obligations and 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 an transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be estimated with a sufficient degree of reliability. 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 current market time value of money and if appropriate the risks specific to the liability. Increase in provision as a result of time passing, is presented as interest expense.

Information is provided about material contingent liabilities. A contingent asset is not recognised, but information is provided if there is a possibility that an advantage will accrue to the company.

**Events after the balance sheet date**
New information about the company's positions on the balance sheet date is taken into account in the financial statement. Information is provided about events after the balance sheet date that do not affect the company's position on the balance sheet date, but which will affect the company's future position if this is essential information.

**Segment reporting**
NEL has defined two operating segment. The current segmentation best reflects how the business is managed. The Hydrogen segment consists of NELs on-site hydrogen production with NEL electrolysers. NELs second segment consist of developing innovative and patient friendly in vitro diagnostic (IVD) products for early detection of diseases.

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

**New standards and interpretations not yet adopted**
A number of new standards and amendments to standards and inter¬pretations are effective for annual periods beginning after January 1, 2014 and have not been applied in preparing these consolidated finan¬cial statements. None of these are expected to have any impact on the consolidated financial statements of the group, except the following set out below:

IFRS 9, ‘Financial instruments’, addresses the classification, measure¬ment and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group does not expect any significant impact from adopting IFRS 9.

IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains con¬trol of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpre¬tations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. NEL is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.
There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a significant impact on NEL`s financial statements.

## Note 3 Segments

NEL has two defined operating segments. The current segmentation best reflects how the business is managed. The Hydrogen segment consists of NELs on-site hydrogen production with NEL electrolysers. The NEL A-range of electrolysers – hydrogen plants based on water electrolyser technology with with atmospheric pressure. This includes atmospheric electrolysis technology, pressurized electrolysis and hydrogen refuelling solutions.

NELs second segement consist of developing innovative and patient friendly in vitro diagnostic (IVD) products for early detection of diseases. NEL controls patents in major markets including the US, EU and Japan, related to its technology and method to detect diseases of the central nervous system and cancer through gene expression in peripheral blood.

The Management monitors the operating 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.

### 2014

| Revenues from external customers | IVD | Hydrogen | Other/ Eliminations | Consolidated |
|---|---|---|---|---|
| Norway | 0 | 1 626 017 | 0 | 1 626 017 |
| Chile | 0 | 2 133 168 | 0 | 2 133 168 |
| India | 0 | 2 009 505 | 0 | 2 009 505 |
| Japan | 0 | 4 480 573 | 0 | 4 480 573 |
| Other countries | 0 | 1 817 375 | 0 | 1 817 375 |
| Total revenue | 0 | 12 066 638 | 0 | 12 066 638 |
| Total operating expenses | 4 961 507 | 17 065 168 | 3 212 500 | 25 239 175 |
| Operating Profit | -4 961 507 | -4 998 530 | -3 212 500 | -13 172 538 |
| Finance income | 241 184 | 1 571 775 | 0 | 1 812 959 |
| Finance costs | -5 491 | -268 099 | 0 | -273 590 |
| Tax expense | 0 | -144 693 | 5 266 500 | 5 121 807 |
| Profit after tax from continuing operations | -4 725 814 | -3 839 547 | 2 054 000 | -6 511 362 |
| | | | | |
| Total assets | 0 | 271 339 936 | -32 260 726 | 239 079 210 |
| | | | | |
| Total liabilities | 172 670 | 34 554 046 | 8 415 501 | 43 142 217 |

### 2013

| Revenues from external customers | IVD | Hydrogen | Other/ Eliminations | Consolidated |
|---|---|---|---|---|
| Norway | 156 940 | 0 | 0 | 156 940 |
| Other countries | 0 | 0 | 0 | 0 |
| Total revenue | 156 940 | 0 | 0 | 156 940 |
| Operating expenses | 37 342 364 | 0 | 0 | 37 342 364 |
| Operating Profit | -37 185 424 | 0 | 0 | -37 185 424 |
| Finance income | 742 725 | 0 | 0 | 742 725 |
| Finance costs | -189 902 | 0 | 0 | -189 902 |
| Profit after tax from continuing operations | -36 632 601 | 0 | 0 | -36 632 601 |

| | | | | |
|---|---|---|---|---|
| Total assets | 15 224 322 | 0 | 0 | 15 224 322 |
| Total liabilities | 6 549 179 | 0 | 0 | 6 549 179 |

NEL uses the companies P&L reports to measure the segment result. NEL defines P&L as Income (loss) before tax, financial income and expense, depreciation, amortization and impairment. NEL's definition of P&L may be different from other companies. The total assets and total liabilities consist of the companies total balance sheet.

Revenue from four customers amounted to NOK 9 771 000 in 2014, arising from sales within the Hydrogen segment.

## Note 4 Public grants - figures in NOK

**ASA:**

| Public grants: | 2014 | 2013 |
|---|---|---|
| The Research Council of Norway - BIA Parkinson | 0 | 293 911 |
| The Research Council of Norway - microRNA | 0 | 178 723 |
| The Research Council of Norway - PET Alzheimer | 0 | 199 449 |
| SPIDIA - Seventh Framework Programme | 0 | 5 980 |
| SkatteFUNN | 0 | 1 596 196 |
| Total public grants | 0 | 2 274 259 |

There are no public grants for 2014. Public grants are based on reimbursement of actual personnel expenses, laboratory costs and other project-related costs. The company is not aware that there is unfulfilled conditions associated with these public subsidies. SkatteFUNN for 2013 is received in 2014. Public grants are recognised in the accounts as a deduction of operating expenses.

## Note 5 Salaries and personnel expenses, number of employees, remuneration - figures in NOK

### ASA:

| Salaries and personnel expenses: | 2014 | 2013 |
|---|---|---|
| Salaries | 1 573 697 | 16 836 889 |
| Reimbursement | 0 | -60 716 |
| Social security tax | 218 046 | 2 828 171 |
| Pension expense | -28 456 | 1 119 507 |
| Fair value of granted options | 0 | -309 883 |
| Other payroll expenses | 23 981 | 429 031 |
| Total | **1 787 268** | **20 842 998** |

| | | |
|---|---|---|
| Average number of labour year | 1,3 | 15,1 |

At 31st of December2014 it was no employees in NEL ASA.

### Group:

| Salaries and personnel expenses: | 2014 | 2013 |
|---|---|---|
| Salaries | 6 136 866 | 16 836 889 |
| Reimbursement | -112 145 | -60 716 |
| Social security tax | 1 024 945 | 2 828 171 |
| Pension expense | 297 598 | 1 119 507 |
| Fair value of granted options | 0 | -309 883 |
| Other payroll expenses | -4 955 | 429 031 |
| **Total** | **7 342 310** | **20 842 998** |

| | | |
|---|---|---|
| Average number of labour year | 6,7 | 15,1 |

### Remuneration of leading personnel 2014

| Management team: | Salary | Bonus | Pension expense 1) | Re-muneration of the Board | Other re-muneration | Total re-muneration |
|---|---|---|---|---|---|---|
| Paul de Potocki, previous CEO 2) | 178 808 | 0 | **0** | 0 | 31 660 | 210 468 |
| Paul de Potocki, previoius CEO, Top-Hat pension 2) | 16 833 | | | | | 16 833 |
| Magnus Sjögren, CMO 3) | 427 973 | 0 | 0 | 0 | 9 820 | 437 793 |
| Ruben Ekbråten, CFO and previous acting CEO 4) | 487 434 | 0 | 0 | 0 | 3 004 | 490 438 |
| Lars Christian Stugaard, acting CEO 5) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total management team** | 1 111 048 | **0** | 0 | 0 | **44 484** | **1 155 532** |

| The Board: | Re-muneration of the Board | Other re-muneration | Total re-muneration |
|---|---|---|---|
| Hanne Skaarberg Holen, chairman 3) | 185 000 | 0 | 185 000 |
| Martin Nes | 120 000 | 0 | 120 000 |
| Øystein Stray Spetalen | 120 000 | 0 | 120 000 |
| **Total the Board** | **425 000** | 0 | **425 000** |

**1)** Pension costs are service cost provided by the insurance company.
**2)** Previous CEO had an agreement for a pension that amounts to 20% of fixed salary. This arrangement was not possible through pension and insurance schemes, thus the difference between the pension scheme and the agreement is paid out addition to the regular salary for the CEO. CEOs period was out January and the salary is for this period.
**3)** CMO - CMOs periode was January to February and the salary is for this period.
**4)** CFO and previously acting CEO - The period for CFO/CEO is for the period January-March and the salary is for this period.
**5)** Acting CEO from middle of March and is hired from Ferncliff Tih 1 AS. Services for acting CEO has been invoiced with NOK 950.000 and other services NOK 250,000. Total invoiced from Ferncliff is NOK 1,2 mill.

## Remuneration of leading personnel 2013

| Management team: | Salary | Bonus | Pension expense 1) | Re-muneration of the Board | Other re-muneration | Total re-muneration |
|---|---|---|---|---|---|---|
| Paul de Potocki, CEO 2) | 1 782 766 | **0** | 160 178 | 0 | 19 791 | 1 962 735 |
| Paul de Potocki, CEO, Top-Hat pension 2) | 201 996 | | | | | 201 996 |
| Magnus Sjögren, Chief Medical Officer | 1 480 355 | **0** | 167 209 | 0 | 14 681 | 1 662 245 |
| Ruben Ekbråten, Chief Financial Officer | 1 109 688 | **107 640** | 120 434 | 0 | 14 760 | 1 352 522 |
| **Total management team** | 4 574 805 | **107 640** | **447 821** | 0 | **49 232** | **5 179 498** |

| The Board: | Salary | Re-muneration of the Board | Other re-muneration | Total re-muneration |
|---|---|---|---|---|
| Hanne Skaarberg Holen, chairman 3) | | 125 000 | 0 | 125 000 |
| Henrik Lund, previous chairman 3) | 87 863 | 188 073 | 0 | 275 936 |
| Patrik Dahlen 3) | | 210 000 | 0 | 210 000 |
| Ingrid Beichmann Wiik 3) | | 152 202 | 0 | 152 202 |
| Tom Edward Pike 3) | | 180 000 | 0 | 180 000 |
| Ulrica Slåne 3) | | 180 000 | 0 | 180 000 |
| **Total the Board** | 87 863 | **1 035 275** | **0** | **1 123 138** |

**1)** Pension costs are service cost provided by the insurance company.
**2)** CEO has an agreement for a pension that amounts to 20% of fixed salary. This arrangement is not possible through pension and insurance schemes, thus the difference between the pension scheme and the agreement is paid out addition to the regular salary for the CEO.
**3)** On 22 November 2013 the extraordinary general meeting resolved to elect a new Board. The extraordinary general meeting also resolved to compensate the Board of directors for the period form the ordinary general meeting2013 to the extraordinary general meeting on 22 November 2013 with NOK 125,000 to the chairman and NOK 60,000 to each of the other Board members. As resolved by the ordinary general meeting on 23 May 2013, Patrik Dahlen, Tom Edward Pike and Ulrica Slånehave been remunarated for the period from the ordinary general meeting 2012 to the ordinary general meeting 2013 with NOK 150,000 to Patrik Dahlen and NOK 120,000 each to Tom Edward Pike andUlrica Slåne. Remuneration to Henrik Lund is for beeing Chairman of the Board, and the salary is vacation salary from when he was CEO. Ingrid B. Wiik remuneration consist of remuneration for beeing board member and for a period Chairman of the Board.

**Guidelines for remuneration of the Managing Director and the company's managment team**
Leading employees is in this regard defined as the NEL Managment Team.

**Loans and security furnished to leading personnel, shareholders etc.**
No loans or guarantees have been given to the CEO, members of the Board or their related parties.

**Auditor fees**

## ASA:

| **Fees to the auditor - Ernst & Young AS** | **2014** | **2013** |
|---|---|---|
| Statutory auditing services | 250 000 | 168 129 |
| Attestation services | 115 000 | 45 875 |
| Non-auditing services | 0 | 73 675 |
| **Total** | 365 000 | 287 679 |

Amounts are exclusive VAT.

**Group:**

| **Fees to the auditor - Ernst & Young AS** | **2014** | **2013** |
|---|---|---|
| Statutory auditing services | 430 750 | 168 129 |
| Attestation services | 115 000 | 45 875 |
| Non-auditing services | 266 303 | 73 675 |
| **Total** | **812 053** | **287 679** |

Amounts are exclusive VAT.

**Pension:**
The company has no employees and is not obliged to have a pension by the law. The company's had a pension plan that meet the requirements in this Act. The Group has pension plan that meet the requirements in the pension Act.
The company expect no significant changes in the pension expenses for next year.

## Note 6 Related parties

**The Groups transactions with related parties was:**
The previous shareholders of NEL Hydrogen was Fenel AS (50%), Elmo Holding AS (45%) and employees of the company (5%). Øystein Stray Spetalen, a board member of the Company and the CEO of Ferncliff, is the majority owner of Fenel AS (76%) through his ownership stake in Strata Marine & Offshore and associated companies. Øystein Stray Spetalen with related parties controlled 11 % of NEL ASA through Strata Marine & Offshore AS before the acquisition of NEL Holding AS. See also note 21. Transaction with Ferncliff on NOK 1,2 mill.. No other major transactions with related parties during the year ended 31 December 2014.

## Note 7 Research and development - figures in NOK

**Group/ASA:**

| **Expensed research costs:** | **2014** | **2013** |
|---|---|---|
| Research (gross before deduction of public grants) | 0 | 22 315 862 |
| Public grants - note 4 | 0 | 2 274 259 |
| Net expensed research cost | 0 | 20 041 603 |

There has not been any development costs in 2014.

## Note 8 Specification of accounting items - figures in NOK

### ASA:

| Specification of other operating expenses: | 2014 | 2013 |
|---|---|---|
| Office premises etc. | 214 805 | 2 797 172 |
| Administrative costs | 3 522 907 | 2 430 788 |
| Professional fees | 3 961 673 | 3 106 111 |
| Patent costs | 509 352 | 1 136 549 |
| Travel expenses | 3 524 | 715 199 |
| Research grants - note 4,8 | 0 | -2 274 259 |
| Laboratory costs | -235 134 | 6 107 640 |
| Other operating expenses | **7 977 127** | **14 019 200** |

| | | |
|---|---|---|
| Foreign exchange: | | |
| Foreign exchange gain | -8 984 | -179 085 |
| Foreign exchange loss | 19 534 | 138 898 |
| Net foreign exchange: | **10 550** | **-40 187** |

### Group:

| Specification of other operating expenses: | 2014 | 2013 |
|---|---|---|
| Office premises etc. | 1 328 618 | 2 797 172 |
| Administrative/other misc. costs | 4 227 499 | 2 430 788 |
| Professional fees | 4 552 230 | 3 106 111 |
| Patent costs | 535 152 | 1 136 549 |
| Travel expenses | 476 464 | 715 199 |
| Research grants - note 4 | 0 | -2 274 259 |
| Laboratory costs | -235 134 | 6 107 640 |
| Other operating expenses | **10 884 828** | **14 019 200** |

| | | |
|---|---|---|
| Foreign exchange: | | |
| Foreign exchange gain | -808 334 | -179 085 |
| Foreign exchange loss | 81 061 | 138 898 |
| Net foreign exchange: | **-727 272** | **-40 187** |

## Note 9 Tax expense - figures in NOK

**ASA:**

| **The year's taxable income:** | **2014** | **2013** |
|---|---|---|
| Result before tax | 7 521 405 | -36 632 601 |
| Remeasurement pension | 0 | -1 029 648 |
| Representation, contingents, interest tax, etc. | -9 281 | 56 079 |
| Option expenses | 0 | -309 883 |
| Share issue expenses | -5 341 788 | -2 547 267 |
| Tax grant(SkatteFunn) | 0 | -1 795 645 |
| Change in temporary differences | -334 012 | -1 377 960 |
| Use of tax loss carryforward | -1 836 324 | 0 |
| **The year's taxable income** | **0** | **-43 636 925** |
| | | |
| Nominal tax rate | 27% | 27% |
| **Non-booked increase in deferred tax benefit** | **0** | **-11 781 970** |
| | | |
| **The year's tax expense is calculated as follows:** | | |
| 27% of result before tax (2013: 28%) | 2 030 779 | -10 257 128 |
| 27% of permanent differences | -1 534 972 | -1 575 382 |
| Non-booked increase in deferred tax benefit | 0 | 8 109 387 |
| Effect of the change from 28% tax to 27% tax. | 0 | 3 723 123 |
| Tax effect of change in loss carry forward | -495 807 | 0 |
| **Tax expense** | **0** | **0** |
| | | |
| **The year's tax payable:** | | |
| Tax payable on the year's profit/loss | 0 | 0 |
| **Tax payable** | **0** | **0** |
| | | |
| **Specification of temporary differences:** | | |
| Tangible fixed assets, incl. goodwill | -1 707 322 | -2 041 334 |
| Loss carry forward | -368 434 653 | -370 270 978 |
| **Basis for deferred tax asset** | **-370 141 975** | **-372 312 311** |
| | | |
| **Deferred tax asset = Deferred tax asset not recognised in the financial statement** | **-99 938 333** | **-100 524 324** |

The majority of the deferred tax asset is related to tax loss carry forward. As of 31.12.2014 it is deemed not probable that the tax loss carry forward can be utilized, thus the deferred tax asset has not been capitalized.

**Group:**

| The year's taxable income: | 2014 | 2013 |
|---|---|---|
| Result before tax | -11 633 170 | -36 632 601 |
| Remeasurement pension | 0 | -1 029 648 |
| Representation, contingents, interest tax, etc. | 7 652 | 56 079 |
| Option expenses | 0 | -309 883 |
| Share issue expenses | -5 351 069 | -2 547 267 |
| Tax grant(SkatteFunn) | 0 | -1 795 645 |
| Change in temporary differences | -13 741 126 | -1 377 960 |
| **The year's taxable income** | **-30 717 713** | **-43 636 925** |

| | | |
|---|---|---|
| Nominal tax rate | 27% | 27% |
| **Change in deferred tax (deferred tax benefit)** | **-8 293 782** | **-11 781 970** |

| The year's tax expense is calculated as follows: | | |
|---|---|---|
| 27% of result before tax (2013: 28%) | -3 140 956 | -10 257 128 |
| 27% of permanent differences | -1 442 723 | -1 575 382 |
| Non-booked change in deferred tax benefit | 2 030 779 | 8 109 387 |
| Effect of the change from 28% tax to 27% tax. | 0 | 3 723 123 |
| Change in deferred tax liabilities (tax benefit) | -4 641 604 | 0 |
| Prior period adjustments | 2 072 695 | 0 |
| **Tax expense** | **-5 121 808** | **0** |

| The year's tax payable: | | |
|---|---|---|
| Tax payable on the year's profit/loss | 0 | 0 |
| **Tax payable** | **0** | **0** |

| Specification of temporary differences: | | |
|---|---|---|
| Receivables | -1 200 000 | 0 |
| Customers contracts | 11 758 213 | 0 |
| Tangible fixed assets, incl. goodwill | 47 133 804 | -2 041 334 |
| Inventory | 1 308 172 | 0 |
| Pension | 0 | 0 |
| Other accruals | -1 431 158 | 0 |
| Loss carry forward | -368 511 993 | -370 270 978 |
| **Basis for deferred tax asset** | **-310 942 962** | **-372 312 311** |

| | | |
|---|---|---|
| **Deferred tax asset not recognised in the financial statements** | **-83 954 600** | **-100 524 324** |

| | | |
|---|---|---|
| **Deferred tax recognized in the balance sheet** | **-15 983 734** | **0** |

The majority of the deferred tax asset is related to tax loss carry forward. As of 31.12.2014 it is deemed not probable that it can be utilized because of NELs historically have had huge losses, and the Group expects the profit for 2015 to be negative, even though NEL Hydrogen subsidiaries will generate profit. Due to this deferred tax asset has not been capitalized.

## Note 10 Earnings per share - figures in NOK

### Group:

| Earnings per share: | 2014 | 2013 |
|---|---|---|
| Profit/loss for the year | -6 511 362 | -37 662 249 |
| Average number of shares | 263 544 489 | 6 656 966 |
| **Earnings per share** | **-0,02** | **-5,66** |

| | |
|---|---|
| Number of shares as of 1st of January 2012 | 27 023 652 |
| Share issue 8th of April 2013 | 50 000 000 |
| Share issue 8th of May 2013 | 4 575 078 |
| Number of shares as of 15th st of August 2013 | 81 598 730 |
| Reverse share split 16th of August ratio 10:1 | 8 159 873 |
| Number of shares as of 31st of December 2013 | 8 159 873 |
| Share issue 15th of April 2014 | 100 000 000 |
| Share issue 20th of October 2014 | 176 923 077 |
| Share issue 13th of November 2014 | 53 846 154 |
| Number of shares as of 31st of December 2014 | 338 929 104 |

## Note 11 Intangible assets - figures in NOK

### ASA:

| | Software | Goodwill | TOTAL |
|---|---|---|---|
| Acquisition cost at 1.1.2013 | 1 676 544 | 572 437 | 2 248 981 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| **Acquisition cost 31.12.2013** | 1 676 544 | 572 437 | 2 248 981 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| **Acquisition cost 31.12.2014** | **1 676 544** | **572 437** | **2 248 981** |
| | | | |
| Accumulated depreciation at 1.1.2013 | 1 123 945 | 572 437 | 1 696 382 |
| The year's depreciation | 251 482 | 0 | 251 482 |
| The year's impairment | 301 117 | 0 | 301 117 |
| **Acc. depreciation and impairment at 31.12.2013** | **1 676 544** | **572 437** | **2 248 981** |
| **Carrying amount at 31.12.2013** | **0** | **0** | **0** |
| | | | |
| The year's depreciation | 0 | 0 | 0 |
| The year's impairment | 0 | 0 | 0 |
| **Acc. depreciation and impairment at 31.12.2014** | **1 676 544** | **572 437** | **2 248 981** |
| **Carrying amount at 31.12.2014** | **0** | **0** | **0** |

| | |
|---|---|
| Useful life | 5 years |
| Depreciation plan | Straight-line |

**Group:**

| | Technology | Customer relationship | Customer contracts | Goodwill | TOTAL |
|---|---|---|---|---|---|
| Acquisition cost at 1.1.2013 | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| **Acquisition cost 31.12.2013** | **0** | **0** | **0** | **0** | **0** |
| Additions | 9 000 000 | 33 000 000 | 9 600 000 | 60 798 914 | 112 398 914 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| **Acquisition cost 31.12.2014** | **9 000 000** | **33 000 000** | **9 600 000** | **60 798 914** | **112 398 914** |
| | | | | | |
| Accumulated depreciation at 1.1.2013 | 0 | 0 | 0 | 0 | 0 |
| The year's depreciation | 0 | 0 | 0 | 0 | 0 |
| The year's impairment | 0 | 0 | 0 | 0 | 0 |
| **Acc. depreciation and impairment at 31.12.2013** | **0** | **0** | **0** | **0** | **0** |
| **Carrying amount at 31.12.2013** | **0** | **0** | **0** | **0** | **0** |
| | | | | | |
| The year's depreciation | 225 000 | 825 000 | 2 400 000 | 0 | 3 450 000 |
| The year's impairment | 0 | 0 | 0 | 0 | 0 |
| **Acc. depreciation and impairment at 31.12.2014** | **225 000** | **825 000** | **2 400 000** | **0** | **3 450 000** |
| **Carrying amount at 31.12.2014** | **8 775 000** | **32 175 000** | **7 200 000** | **60 798 914** | **108 948 914** |
| | | | | | |
| Useful life | 10 years | 10 years | 1 years | | |
| Depreciation plan | Straight-line | Straight-line | Straight-line | | |

The goodwill recognized in the balance sheet relates to the acquisition of NEL Hydrogen in 2014. On the acquisition date, goodwill after the valuation of intangible assets amounted to NOK 60.8 millions.

The Group performed its annual impairment test in December 2014 and 2013. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2014, the market capitalisation of the Group was 2.2 times above the book value of its equity, indicating no impairment of goodwill and impairment of the assets.

Goodwill and intangible assets are related to CGU Hydrogen. The Group has calculated recoverable amount for the CGU Hydrogen. The recoverable amount is based on a value in use calculation using cash flow projections based on customer relationships, customer contracts and the company's technology and future expectations over a period on 10 years based on existing business model. It is used discounting of cash flow from financial budgets. The expected cash flow is based on company estimates for the period 2014 to 2024. 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.

**Key assumptions used in value in use calculations and sensitivity to changes in assumptions**

The calculation of value in use for both IVD and Hydrogen units is most sensitive to the following assumptions:

Important assumptions in calculating the value is:
- Revenue
- Gross margins
- Discount rate

Revenues are based on existing customer contracts and anticipated developments within the markets the Group operates in. Operating revenues are dependent on of the assumptions underlying, and changes in assumptions will affect the future value of the unit. Annually revenues are expected to grow by 10%.

Gross margins are based on average values of the budget period. It is estimated to stabilize at 35%. It is estimated WACC for NEL on astand-alone basis in the range of 13.1%.

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 takes into account both 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 tax flows in order to reflect a pre-tax discount rate.

## Note 12 Tangible fixed assets - figures in NOK

| ASA: | Other equipment | Lab equipment | Offices machines | Fixt. & fittings | Computers | Lab equipment | TOTAL |
|---|---|---|---|---|---|---|---|
| Acquisition cost at 1.1.2013 | 465 203 | 4 001 914 | 103 308 | 1 252 074 | 1 212 903 | 1 733 880 | 8 769 281 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | -48 904 | 0 | 0 | 0 | 0 | -48 904 |
| **Acquisition cost at 31.12.2013** | **465 203** | **3 953 010** | **103 308** | **1 252 074** | **1 212 903** | **1 733 880** | **8 720 377** |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | -465 203 | -3 953 010 | -103 308 | -1 252 074 | -1 212 903 | -1 733 880 | -8 720 377 |
| **Acquisition cost at 31.12.2014** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | | | | | | | |
| Accumulated depreciation at 1.1.2013 | -465 203 | -2 936 272 | -101 450 | -748 434 | -1 067 567 | -1 733 880 | -7 052 806 |
| Depreciation for the year | 0 | -311 000 | -1 859 | -103 305 | -63 437 | 0 | -479 601 |
| Impairment *) | 0 | -539 572 | 0 | -288 215 | -65 899 | 0 | -893 686 |
| Reversed depreciation disposals | | 40 655 | | | | | 40 655 |
| Reversal of loss due to fall in value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Accumulated depreciation at 31.12.2013** | **-465 203** | **-3 746 189** | **-103 309** | **-1 139 954** | **-1 196 903** | **-1 733 880** | **-8 385 439** |
| | | | | | | | |
| **Carrying amount at 31.12.2013** | **0** | **206 821** | 0 | **112 120** | 16 000 | 0 | **334 940** |
| | | | | | | | |
| Depreciation for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment | 0 | 100 000 | 0 | 0 | 0 | | 100 000 |
| Reversed depreciation disposals | 465 203 | 3 646 189 | 103 309 | 1 139 954 | 1 196 903 | 1 733 880 | 8 285 438 |
| Reversal of loss due to fall in value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Accumulated depreciation at 31.12.2014** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | | | | | | | |
| **Carrying amount at 31.12.2014** | **0** | **0** | 0 | **0** | 0 | **0** | **0** |
| | | | | | | | |
| Useful life | 3 years | 3-8 years | 5 years | 10 years | 3 years | 4-5 years | |
| Depreciation plan | Straight-line | Straight-line | Straight-line | Straight-line | Straight-line | Straight-line | |

**Group:**

| | Other equipment | Office machines | Productions equipment | Other equipment | Building | Technical installations | TOTAL |
|---|---|---|---|---|---|---|---|
| Acquisition cost at 1.1.2013 | 5 205 084 | 1 212 903 | 0 | 0 | 0 | 0 | 6 417 987 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Acquisition cost at 31.12.2013** | **5 205 084** | **1 212 903** | **0** | **0** | **0** | **0** | **6 417 987** |
| Additions | 0 | 177 052 | 1 023 328 | 37 469 | 2 788 530 | 1 141 452 | 5 167 831 |
| Disposals | -5 205 084 | -1 212 903 | 0 | 0 | 0 | 0 | -6 417 987 |
| **Acquisition cost at 31.12.2014** | **0** | **177 052** | **1 023 328** | **37 469** | **2 788 530** | **1 141 452** | **5 167 831** |
| | | | | | | | |
| Accumulated depreciation at 1.1.2013 | -3 684 706 | -1 067 567 | 0 | 0 | 0 | 0 | -4 752 273 |
| Depreciation for the year | -414 305 | -63 437 | 0 | 0 | 0 | 0 | -477 742 |
| Impairment | -827 787 | -65 899 | 0 | 0 | 0 | 0 | -893 686 |
| Reversed depreciation disposals | 40 655 | 0 | 0 | 0 | 0 | 0 | 40 655 |
| Reversal of loss due to fall in value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Accumulated depreciation at 31.12.2013** | **-4 886 143** | **-1 196 903** | **0** | **0** | **0** | **0** | **-6 083 046** |
| | | | | | | | |
| **Carrying amount at 31.12.2013** | **318 941** | **16 000** | **0** | **0** | **0** | **0** | **334 940** |
| Depreciation for the year | 0 | 23 885 | 35 828 | 4 500 | 17 930 | 18 952 | 101 095 |
| Impairment *) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversed depreciation disposals | 4 886 143 | 1 196 903 | 0 | 0 | 0 | 0 | 6 083 046 |
| Reversal of loss due to fall in value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Accumulated depreciation at 31.12.2014** | **0** | **23 885** | **35 828** | **4 500** | **17 930** | **18 952** | **101 095** |
| **Carrying amount at 31.12.2014** | **0** | **153 167** | **987 500** | **32 969** | **2 770 600** | **1 122 500** | **5 066 736** |
| | | | | | | | |
| Useful life | | 3 years | 8 years | 3 years | 40 years | 40 years | |
| Depreciation plan | | Straight-line | Straight-line | Straight-line | Straight-line | Straight-line | |

## Note 13 Inventory - figures in NOK

**Group:**

| | 2014 | 2013 |
|---|---|---|
| Finished goods | 1 255 461 | 0 |
| Work in progress | 1 924 810 | 0 |
| Raw material | 2 890 844 | 0 |
| | 6 071 115 | 0 |

Inventory is valued at the lowest of cost and net selling price. As of 31.12.14 inventory is measured at cost.

## Note 14 Cash and cash equivalents - figures in NOK

**ASA:**

Of the company's cash and cash equivalents MNOK 0,2 is restricted in the form of tax withholdings.

**Group:**

Of the Group's cash and cash equivalents MNOK 1 is restricted in the form of tax withholdings.

Unused cash credit is NOK 4,000,000.

## Note 15 Share capital and shareholders - figures in NOK

**ASA:**
At 31.12.2014 the company's share capital was NOK 67,785,821 divided between 338,929,104 shares each with a nominal value of NOK 0.20. The company has only one share class and no special regulations relating to the shares. One share thus confers one vote.

| Ownership structure at 31.12.2014: | Number of shares | Holding |
|---|---|---|
| STRATA MARINE & OFFSHORE AS | 43 824 685 | 12,93% |
| TROJAN AS | 40 951 762 | 12,08% |
| STOREBRAND VEKST | 29 456 467 | 8,69% |
| DALLAS ASSET MANAGEMENT AS | 20 700 393 | 6,11% |
| VERDIPAPIRFONDET ALFRED BERG GAMBA | 17 362 516 | 5,12% |
| GROSS MANAGEMENT AS | 15 692 308 | 4,63% |
| FERNCLIFF MARIS AS | 15 384 615 | 4,54% |
| DUKAT AS | 12 650 000 | 3,73% |
| ELMO HOLDING AS | 9 384 615 | 2,77% |
| SPAR KAPITAL INVESTOR AS | 4 399 110 | 1,30% |
| DEUTSCHE BANK AG | 4 000 000 | 1,18% |
| SOLON AS | 3 836 900 | 1,13% |
| GLEFF AS | 3 250 000 | 0,96% |
| NEW HEL HYDROGEN AS | 3 181 539 | 0,94% |
| TIGERSTADEN AS | 3 067 637 | 0,91% |
| HANEKAMB INVEST AS | 2 653 846 | 0,78% |
| VERDIPAPIRFONDET ALFRED BERG AKTIV | 2 500 000 | 0,74% |
| FRØILAND INVEST | 2 153 846 | 0,64% |
| ØYSTEIN ERLING TVENGE | 2 070 685 | 0,61% |
| NORDNET PENSJONSFORSIKRING | 2 055 131 | 0,61% |
| Total, 20 largest shareholders | **238 576 055** | **70,39%** |
| Total others | 100 353 049 | 29,61% |
| **Total number of shares** | **338 929 104** | **100,00%** |

| Shares represented/owned by board members | Assignment | Number of shares |
|---|---|---|
| Martin Nes 1) | Chair of Board | 2 653 846 |
| Øystein S. Spetalen 2) | Board member | 74 901 608 |
| Anne Marie Gohli Russel | Board member | 276 923 |
| Jan Christian Opsahl 3) | Board member | 20 700 393 |
| Eva Karin Sandanger Dugstad | Board member | 0 |

1) Represents Hanekamb Invest AS
2) Represents Strata Marine & Offshore AS, Ferncliff Maris AS, Gross Management AS
3) Represents Dallas Asset Management AS

| Shares and forward contracts by the management | | Number of shares |
|---|---|---|
| Lars Christian Stugaard v/LCS AS | CEO | 1 530 769 |

There were no dividends paid out in 2013 or 2014.

## Note 16 Lease commitments - figures in NOK

**Group:**

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

| Lease agreements: | Maturity | 1 year | 1 - 5 years | Over 5 years |
|---|---|---|---|---|
| Heddalsvegen 11, 3674 Notodden | July 2018 | 1 848 000 | 7 392 000 | 0 |

The rent for 2014 amounted to MNOK 0,72. The company has come to an agreement with the landlord to pay NOK 1,5 million in compensation to the landlord to be released from the long term lease agreement effective from 1st February 2014. The company moved out from the premesises by 31st January 2014. NELs subsidiaries has offices at Notodden.

## Note 17 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 Company has sufficient working capital for its planned business activities overthe 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.

## Note 18 Financial instruments - figures in NOK

**ASA:**

| | Carrying amount 31.12 | | Fair value 31.12 | |
|---|---|---|---|---|
| **Specification of lending and receivables:** | **2014** | **2013** | **2014** | **2013** |
| Skattefunn scheme | 0 | 1 795 645 | 0 | 1 795 645 |
| Account receivables | 250 000 | 56 407 | 250 000 | 56 407 |
| Miscellaneous receivables | 608 041 | 1 545 114 | 608 041 | 1 545 114 |
| **Total lending and receivables** | **858 041** | **3 397 166** | **858 041** | **3 397 166** |

| Specification of other current liabilities: | 2014 | 2013 | 2014 | 2013 |
|---|---|---|---|---|
| Account payable | 1 355 005 | 276 731 | 1 355 005 | 276 731 |
| Public duties payable | 309 746 | 1 672 772 | 309 746 | 1 672 772 |
| Other current liabilities | 0 | 3 082 263 | 0 | 3 082 263 |
| Vacation acc.and Board of Directors remuneration accrual | 331 667 | 1 517 413 | 331 667 | 1 517 413 |
| **Total other current liabilities** | **1 996 418** | **6 549 179** | **1 996 418** | **6 549 179** |

The Company does not have financial assets or liabilities measured to fair value

Liabilities that are due within one year is not defined as current.

**Group:**

| | Carrying amount 31.12 | | Fair value 31.12 | |
|---|---|---|---|---|
| **Specification of lending and receivables:** | **2014** | **2013** | **2014** | **2013** |
| Skattefunn scheme | 0 | 1 795 645 | 0 | 1 795 645 |
| Account receivables | 18 926 648 | 56 407 | 18 926 648 | 56 407 |
| Miscellaneous receivables | 1 405 693 | 1 545 114 | 1 405 693 | 1 545 114 |
| **Total lending and receivables** | **20 332 341** | **3 397 166** | **20 332 341** | **3 397 166** |

| **Specification of other current liabilities:** | **2014** | **2013** | **2014** | **2013** |
|---|---|---|---|---|
| Account payable | 3 099 501 | 276 731 | 3 099 501 | 276 731 |
| Public duties payable | 1 734 666 | 1 672 772 | 1 734 666 | 1 672 772 |
| Other current liabilities | 14 414 865 | 3 082 263 | 14 414 865 | 3 082 263 |
| Vacation acc.and Board of Directors remuneration accrual | 331 667 | 1 517 413 | 331 667 | 1 517 413 |
| **Total other current liabilities** | **19 580 699** | **6 549 179** | **19 580 699** | **6 549 179** |

| **Maturity analysis for other long term debt:** | **Interest rate** | **Maturity** | **2014** | **2013** | **2014** | **2013** |
|---|---|---|---|---|---|---|
| 1) DNB Bank AS | 6,25 % | July 2018 | 777 784 | 0 | 777 784 | 0 |
| 2) DNB Bank AS | 6,25 % | July 2017 | 500 000 | 0 | 500 000 | 0 |
| 3) DNB Bank AS | 6,25 % | July 2024 | 3 800 000 | 0 | 3 800 000 | 0 |
| 4) Innovasjon Norge | 5,75 % | July 2019 | 2 500 000 | 0 | 2 500 000 | 0 |
| **Total other long term debt** | | | **7 577 784** | **0** | **7 577 784** | **0** |

| **Maturity analysis for other long term debt due later then 5 years** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020->** | **Total** |
|---|---|---|---|---|---|---|---|
| 1) DNB Bank AS | 222 224 | 222 224 | 222 224 | 111 112 | 0 | 0 | 777 784 |
| 2) DNB Bank AS | 0 | 0 | 500 000 | 0 | 0 | 0 | 500 000 |
| 3) DNB Bank AS | 400 000 | 400 000 | 400 000 | 400 000 | 400 000 | 1 800 000 | 3 800 000 |
| 4) Innovasjon Norge | 416 668 | 416 668 | 416 668 | 416 668 | 416 668 | 416 668 | 2 500 008 |
| **Total other long term debt** | **1 038 892** | **1 038 892** | **1 538 892** | **927 780** | **816 668** | **2 216 668** | **7 577 792** |

| **Value of assets that are pledged** | **2014** |
|---|---|
| Account receivables | 16 976 867 |
| Misc. Equipment | 1 173 636 |
| Inventory | 6 071 115 |
| Building | 3 893 100 |
| **Total** | **28 114 718** |

| **Guarantee:** | **2014** |
|---|---|
| Bank guarantee | 7 595 468 |

The bank guarantee applies to advance payments from customers.

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 to be unsignificant from nominal value thus fair value is equal.

As at 31st of December, the ageing analysis of trade receivables is, as follows:

Figures in NOK

| 2014 | Total | Neither past due nor impaird | Past due but not impaired | | | | |
|---|---|---|---|---|---|---|---|
| | | | <30 days | 30 - 60 days | 61 - 90 days | 91 - 120 days | >120 days |
| | 18 927 | 9 642 | 5116 | 236 | 0 | 0 | 3 933 |

As at 31st of December 2014, the Group has made an accrual for bad debt of TNOK 1,200. There were no impairment in 2014. Trade receivables are non-interest bearing and are on 30 days terms.

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

## Note 19 Investments in associated companies

### Group:

| | Country | Industry | Ownership | Booked value 31.12.13 | Additions | Booked value 31.12.14 |
|---|---|---|---|---|---|---|
| Hyme AS | Norway | Gas | 31% | 0 | 162 750 | 162 750 |
| Sagim AS | France | Hydrogen | 37% | 0 | 100 000 | 100 00 |

As of 31.12.2014 the Group has 31% interest in Hyme AS.

| Hyme AS | 2014 | 2013 |
|---|---|---|
| Current assets | 542 806 | 0 |
| Non-current assets | 0 | 0 |
| Current liabilities | -240 000 | 0 |
| Non-current liabilities | 0 | 0 |
| Equity | 302 806 | 0 |
| Group’s carrying amount of the investment | 0 | 0 |
| | | |
| **Revenues** | 0 | 0 |
| Administrative expenses | -140 819 | 0 |
| Profit before tax | -140 819 | 0 |
| Income tax expense | 0 | 0 |
| Profit for the year (continuing operations) | -140 819 | 0 |
| Total comprehensive income for the year (continuing operations) | -140 819 | 0 |
| Group’s share of profit for the year | -43 654 | 0 |

## Note 20 List of subsidiaries

**Group:**

The following subsidiaries are included in the consolidated financial statements:

| Company | Country of in-corporation | Main operations | Ownership interest 2014 | Voting power 2013 |
|---|---|---|---|---|
| New NEL Hydrogen Holding AS | Norway | Investment | 100 % | 0 % |
| New NEL Hydrogen AS | Norway | Hydrogen | 100 % | 0 % |
| New NEL Hydrogen Eiendom AS | Norway | Realestate | 100 % | 0 % |
| New NEL Hydrogen P60 AS | Norway | Hydrogen | 100 % | 0 % |

The subsidiaries listed in the table above are consolidated from Q4 2014. Please refer to note 22 for details related to this acqusition.

## Note 21 Acquisition of NEL Hydrogen AS

NEL acquired 100% of the shares in NEL Hydrogen AS for a total consideration of NOK 120 million. The acquisition was financed through NOK 40 million in cash and NOK 80 million in new shares. The consideration shares issued were valued at NOK 0.65 per share. The transaction was closed and the shares were transferred to NEL ASA on 9 October 2014. In the Consolidated financial statemen it is the Q4 figures for NEL Hydrogen that are included.

On 28 October 2013, the Company announced an evaluation of various strategic options to restructure the Company and/or divest selected company assets. As a result of the strategic initiative the Company decided to diversify its business activities by creating a new business unit, to cover the hydrogen electrolysis market through the acquisition of New NEL Hydrogen Holding. ("NEL Hydrogen" or "NEL").

The acquisition of NEL Hydrogen AS is considered to be a business combination under IFRS 3 and consequently all assets acquired and liabilities aassumed are accounted for at its fair value at the acquisition date. Based on the purchase price, it is assessed that the carrying amount of assets and liabilities in NEL Hydrogen AS represents its fair value at the acquisition date. Based on the preliminary purchase price allocation, NEL Hydrogen AS has allocated fair value adjustments as described below. The gross purchase price is NOK 121.2 million. Adjusted for treasury shares held by NEL Hydrogen AS, the net purchase price is NOK 118.1 million. Book value of equity is NOK 43.7 million, which give an excess value of NOK 74.1 million (adjusted for the goodwill pre acquisition of NOK 24.1 million amounts to an excess value of NOK 98.5 million to be allocated). The identified intangible assets include: customer contracts (NOK 9.6 million), related customer relationships (NOK 33.0 million), technology (NOK 9 million), deferred tax on excess value amounts (NOK 13.9 million) which leaves a recognized goodwill of NOK 60.8 million.

| Cost of business combination | Shares acquired | Amount (MNOK) |
|---|---|---|
| Agreed purchase price | 100 % | 120.0 |
| Consideration – gross | | 121.2 |
| - Adjustment for treasury shares held by NEL Hydrogen | | -3.1 |
| Net consideration | | 118.1 |
| Fair value of previously held associated companies/ | | |
| Acquisition of subsidiary in stages | | |
| Non-controlling interests | | |
| Cost of business combination | | |
| Book value equity | | -43.7 |
| Excess value | | 74.1 |
| Goodwill pre-acquisition | | 24.1 |
| Excess value to be allocated | | 98.5 |
| Excess value is allocated to: | | |
| Customer contracts | | 9.6 |
| Customer relationships | | 33.0 |
| Technology | | 9,0 |
| Deferred tax | | -13.9 |
| Total allocated | | 37.7 |
| Goodwill | | 60.8 |
| The acquired goodwill is not tax deductible | | |

Measured from the transaction date total revenue and profit related to NEL Hydrogen AS is NOK 12.1 million and NOK 0.4 million respectively.

If NEL Hydrogen AS had been acquired on 1 January 2014 total revenue for the combined entity for 2014 would have been NOK 69.3 million in 2014 and total profit would have been NOK -3.4 million.

The goodwill of NOK 60.8 million comprises the value of expected synergies arising from the acquisition and pre-aquisition. Goodwill is allocated entirely to the Hydrogen segment. None of the goodwill recognized is expected to be deductible for income tax purpose.

## Note 22 Risk - figures in NOK

### OPERATIONAL RISK FACTORS

**Business strategy going forward**

NEL has since its inception been focused on the development of diagnostic tests based on peripheral gene expression for early detection of diseases. NELs board and management will seek to restructure the Company. In 2014 it has been several rights issue for which the use of proceeds is to consider and pursue growth and/or development within its existing business and through new opportunities within biotech/pharmaceuticals or other areas. There is no assurance that the Company in the future will be able to develop diagnostic ests based on peripheral gene expression for early detection of diseases or new opportunities within biotech/pharmaceuticals or other areas.

**Technology and development stage**

NEL's product portfolio is at the research and development stage. The Company may not be able to demonstrate sufficient robustness of its diagnostic tests and may not be able to reach the level of sensitivity and specificity that is required to attract industry, finance, and other relevant resources interest to transform its product candidates into commercial products. NEL has used human blood samples for its development. It may not be possible to access sufficient quantities of samples and clinical data or samples and clinical data of sufficient quality, in which case the development or validation may be slowed or even interrupted. The robustness of the identified signatures performed on a limited number of samples may not be sufficient in the validation studies performed on the target populations, including levels of specificity and sensitivity to be competitive on the market and adopted by the medical and scientific community. There can be no assurance that the Company's biotech/pharmaceuticals product will be successfully developed or become revenue generating commercial products, whether through a failure to secure and if secured retain suitable development partners, or clinical effectiveness of the Company's products or for other reasons.

**Intellectual property rights**
The commercial success of NEL biotech/pharmaceuticals depends in part on its ability to obtain patent protection for the technology and the products in the principle markets for the Company. Currently NEL's intellectual property consists of granted patents and patent applications, for further information, please refer to Section 7.8 below. There is no assurance that patent applications will be granted or that future granted patents will be sufficiently broad in their scope to provide protection for intellectual property rights and exclude competitors with similar technology.

There is a risk that NEL was not the first to file patent applications for its inventions. Granted patents may also be deemed invalid.

The commercial success of NEL will also depend in part on non-infringement of patents granted. Competitors may have filed applications, or patents may have been granted, or may obtain patents that may relate to products competitive with those of NEL's. Resolving a patent infringement claim can be costly and time consuming and may require NEL to enter into royalty or license agreements. Alternatively, the Company may need to cease or alter certain activities or processes or develop or obtain alternative technology. This may have a material adverse effect on NEL.

**Key personnel**
Qualified personnel will be required should the product candidates be further developed. An inability to attract a sufficient number of qualified employees for NEL or its partners could adversely affect the development of product development and other business operations.

**Product liability and insurance**
NEL is exposed to potential liability risks that are inherent in the research and development, pre-clinical and clinical testing, marketing and the use of human diagnostic products. However, such potential liability risks are significantly lower for in vitro diagnostic products compared with therapeutic products.

**Dependence of third parties in manufacturing**
The Company's or its partners ability to commercialise their potential products successfully could depend in part on the extent to which reimbursement for the cost of such products will be available from government health administration authorities, private health insurers and other organisations. Such third party players are increasingly challenging the coverage, health economics impact and the price of medical and diagnostic products. Significant uncertainty exist as to the reimbursement status of newly approved medical diagnostic products, and there can be no assurance that adequate third party coverage will be available to NEL's potential products or at price levels sufficient to realise an appropriate return on investment in product development. Reimbursement schemes may well be altered which can lead to adverse effects on NEL's potential product revenues.

**Financial risk**
The company is exposed to financial risk associated with changes in foregin exchange rates. The company doesn`t uses financial derivatives instruments with the purpose of speculating in currency. The Group does not use financial instruments in connection with the management of financial risk. The Group uses financial instruments such as bank loans. The purpose of this financial instrument is to provide capital for investments that are necessary for its operations. In addition, financial instruments such as accounts receivable, accounts payable, etc. that are directly related to the Group's daily operations.

The key financial risks the groups is exposed to be related to interest rate risk, liquidity risk, currency risk 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. The Group strengthened its financial position in 2014 through several share issues and reducing the Group's liquidity risk. The Group monitors its risks associated for 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 can result in a liquidation.

**Currency risk**
The group's functional currency is NOK. The group's transactions mainly take place in NOK, EUR, and USD. The group's revenues will be influenced by variations in the exchange rate against NOK, the same will apply to expenses in other currencies. The group also gets advance payments for customers and will thus reduce the fluxtation risk. The Group is currently not using financial hedging instruments, but may consider such instruments for larger contracts. The risk is considered to be medium.

**Interest rate risk**
The group's risk exposure in relation to changes in market interest rates are the groups's loans and bank deposits, and a change in interest rates may therefore affect the capital return. The risk of changes in market interest rates relates to long-term debt obligations with floating interest rates. The group has small amount of long-term debt obligations and the marked interest looks to be stabile low in the nearest future. Due to the low amount of debt in the group it is considers that a change in interest rates will have an unsignificant effect for the group. A change on 100 points will have an effect on +/- NOK 150,000. Thus the risk is considered to be medium since the marked interest are low.

**Credit risk**
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

**Trade receivables**
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an credit rating scorecard and individual credit limits are defined in accordance with this assessment. Other receivables are prepaid expenses or accruds. Outstanding customer receivables are regularly monitored. Maximum risk exposure is outstanding receivables of MNOK 20,3. 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 19. 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**
**Unproven market**
Products which potentially can be developed may be launched in markets where the current diagnostic methods are based on fundamentally different concepts, technologies and procedures. There is no assurance that potential products developed will be accepted and used by the customers.

**Regulatory approval**
Approval by regulatory authorities is required in all relevant markets where NEL may offer its potential products. Market access is controlled by the relevant authority in each market by setting requirement on how to obtain and maintain regulatory approval for a product. Thus regulatory requirements are of particular importance.

The manufacture and sale of diagnostic products are governed by a variety of regulations. These require to varying degrees control of manufacturing facilities, research and testing of products and government review and clearance of a submission containing manufacturing, pre-clinical and clinical data in order to obtain approvals to market the product.

The processes of obtaining approvals for new products require substantial resources and expenditures. Any failure to obtain, or delay in obtaining such approvals could adversely affect the Company's ability to utilise its technology. There can be no assurance that NEL will receive the necessary regulatory approvals for potential products derived from its technology.

There can be no assurance that released assays are not recalled from the market and/or that significant development work may be required after the tests are released, and/or for other reasons the assays fail to meet predefined criteria which consequently may substantially delay, or halt entirely the commercialisation of the assays.

Changes in governmental regulations in NEL's main markets could have a material effect on the Company's business, results of operations and financial condition.

**Competition**

The in vitro diagnostic industry is highly competitive and NEL will be competing with many established technologies. Furthermore, extensive research to develop new products or methods which compete with the Company's technology is ongoing. NEL has no guarantee that this competition will not have an adverse effect on the Company's licenses or products.. Competitors include, amongst others, major in vitro diagnostic and biotechnology companies with greater resources than NEL. There can be no assurance that one or several of the Company's competitors will not succeed in developing technologies and products that are more efficient or more economic than any of those developed by NEL or which would render NEL's products obsolete and/or otherwise non-competitive. In addition to rapid technological changes, altered customer needs may reduce the Company's competitivenes.

**RISKS RELATING TO THE NEW ELECTROLYSIS MARKET AND NEL HYDROGEN**

**There are risks associated with technological change, and if competitors gain advantages in the development of alternative technologies, this could affect the competitive position of the Company**

The market for NEL Hydrogen's products and services is subject to technological change. The success of the Company following the integration of NEL Hydrogen 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 keeps 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 were to materialize, it could have a significant adverse effect on the Company's business, prospects, financial results or results of operations.

**NEL Hydrogen is dependent on a limited number of third party suppliers for key production components for its products and any disruption to supply could negatively impact its business significantly**

NEL Hydrogen is dependent on a limited number of third party suppliers for key production components for its products. If the Company following the integration of NEL Hydrogen fails to develop or maintain its relationships with its suppliers or such suppliers are prevented from supplying, the Company may be unable to manufacture its products or its products may be available only at a higher cost or after a long delay, which could prevent the Company from timely delivering its products to its customers and the Company may experience order cancellation, customer claims and loss of market share.

**NEL Hydrogen is relying on external suppliers of services and goods to meet agreed or generally accepted standards**

NEL Hydrogen's manufacturing operations rely on external subcontractors and suppliers of services and goods to varying degrees. This operating model inherently contains a risk to NEL Hydrogen's goodwill and branding. If suppliers fail to meet agreed or generally accepted standards in areas such as environmental compliance, human rights, labour relations and product quality, this could have a significant adverse effect on the Company's business, prospects, financial results and results of operations.

**NEL Hydrogen 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 Hydrogen 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 Hydrogen to protect its proprietary information may not be adequate to prevent misappropriation of its technology. In addition, NEL Hydrogen'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 Hydrogen's intellectual property is difficult, expensive and time-consuming, and NEL Hydrogen may be unable to determine the extent of any unauthorized use; and
- the laws of certain countries in which NEL Hydrogen markets or plans to market its products may offer little or no protection for its proprietary technologies.

Unauthorized copying or other misappropriation of NEL Hydrogen'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 NEL Hydrogen's ability to compete, to generate revenue and to grow its business. This could have a significant adverse effect on NEL Hydrogen's business, prospects, financial results and results of operations.

**NEL Hydrogen 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 Hydrogen's issued patents may be challenged, invalidated or declared unenforceable, or a competitor may have filed similar patent applications as NEL Hydrogen. NEL Hydrogen's present and future 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 patentsor, alternatively, could develop similar or more advantageous technologies on their own or design around NEL Hydrogen'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 NEL Hydrogen 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 NEL Hydrogen'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, NEL Hydrogen may choose not to protect certain innovations that later turn out to be important. There is also a general risk that NEL Hydrogen receives information subject to confidentiality agreements, regarding other parties' know-how and trade secrets in relation to technology which may hinder NEL Hydrogen from development of similar intellectual assets.

NEL Hydrogen 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
From time to time, NEL Hydrogen, its customers or third parties with whom NEL Hydrogen works may receive claims, including claims from various industry participants, alleging infringement of their patents. Although the Company is not currently aware of any parties pursuing infringement claims against NEL Hydrogen, there can be no assurance that it will not be subject to such claims in the future.

NEL Hydrogen has certain registered trademarks and has applied for registration of certain trademarks. Although NEL Hydrogen 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 Hydrogen'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 Hydrogen and/or in stopping NEL Hydrogen from using such trademarks in the relevant jurisdiction, in which case it could harm NEL Hydrogen's ability to compete, generate revenue and to grow its business.

Although the Company is currently not aware of infringement of NEL Hydrogen'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, NEL Hydrogen 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 NEL Hydrogen's business and could have a material adverse effect on NEL Hydrogen's business, prospects, financial results or results of operations. In addition, NEL Hydrogen's enforcement efforts may not be successful.

**Product liability claims against NEL Hydrogen could result in adverse publicity and potentially monetary damages. Currently there are no product liability claims against NEL Hydrogen.**
It is possible that its products could result in injury, whether by product malfunctions, defects, improper installation or other causes. NEL Hydrogen 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, NEL Hydrogen may not have adequate resources in the event of a successful claim against it. The successful assertion of product liability claims against NEL Hydrogen could result in potentially significant monetary damages, which could have a significant adverse effect on NEL Hydrogen's business, prospects, financial results and results of operations. As of the date of this Prospectus, NEL Hydrogen is unaware of any current or pending product liability claims made against the company.

## Note 23 Events after the balance sheet date

12 January: The share capital increase pertaining to the 50 million new shares issued in the Private Placement was registered with the Norwegian Register of Business Enterprises. The Company's registered share capital was NOK 77,785,820.80 corresponding to a total of 388,929,104 shares with a nominal value of NOK 0.20 per share.

23 January: The Subsequent Offering that was announced 12 January was oversubscribed, and resulted in gross proceeds of NOK 13 million through the issuance of 10 million new shares at a subscription price of NOK 1.30.

2 February: The share capital increase pertaining to the 10 million new shares issued in the Subsequent Offering was registered with the Norwegian Register of Business Enterprises. The Company's new registered share capital is NOK 79,785,820.80 corresponding to a total of 398,929,104 shares with a nominal value of NOK 0.20 per share. There are no share options.

20 April: The Company increased its ownership in Hyme AS from 31% to 56.8% by way of a share issue.

After completion of the Subsequent Offering, current cash position in NEL ASA amounts to approximately NOK 170 million.

# Declaration by the board of directors and the CEO

"We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2014 up to and including 31 December 2014 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."

The board of directors and acting CEO of NEL ASA.

Oslo, 29 April 2015
The board of directors

Øystein Stray Spetalen
Board member
Signature

Martin Nes
Chairman
Signature

Anne Marie Gohli Russel
Board member
Signature

Eva Dugstad
Board member
Signature

Jan Christian Opsahl
Board member
Signature

Lars Christian Stugaard
CEO
Signature

Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av den norske revisorforening

To the Annual Shareholders' Meeting of
NEL ASA

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of NEL ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2014, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

*The Board of Directors' and Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

*Opinion*

In our opinion, the financial statements of NEL ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

**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 Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

*Opinion on registration and documentation*

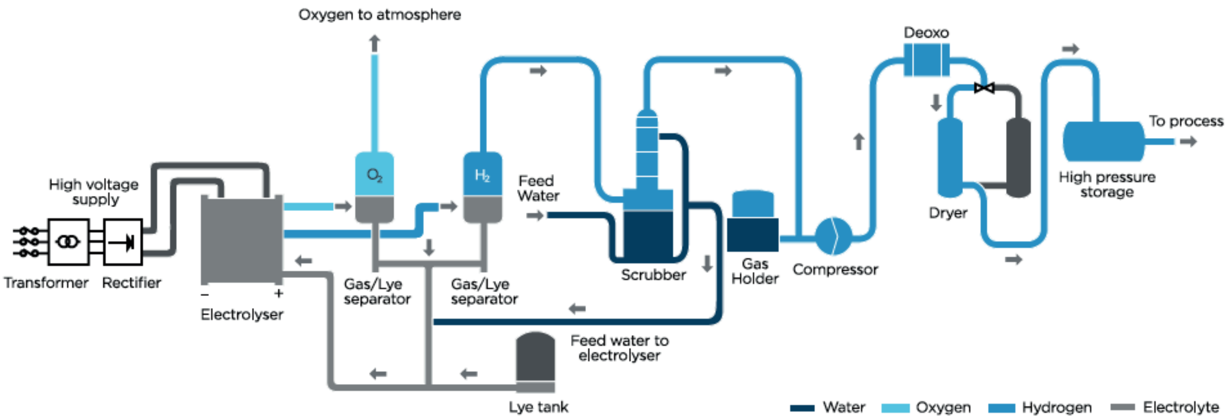
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 30 April 2015
ERNST & YOUNG AS

Per-Øyvind Borge-Hansen
State Authorised Public Accountant (Norway)

# THE PROCESS AND THE HYDROGEN PLANT

## Electrolysis is the process of splitting water into hydrogen and oxygen using an electrical current. The inputs to this process are simply feed water and electrical power.




**The NEL A-hydrogen plants are delivered as pre-assembled modules which are easilyinter-connected on-site:**

**Transformer / Rectifier**
The transformer and rectifier convert the AC high voltage supply into DC current input.

**Electrolyser**
The electrolyser is of the filter press construction with bipolar electrodes separated by nonasbestos diaphragms. Hydrogen is generated at the cathode and oxygen at the anode.

**Electrolyte System**
This module consists of two gas separators and the electrolyte recirculation system. The electrolyte is recovered in the separators, then cooled and recycled into the cell block.

**Scrubber**
The scrubber has 3 main functions:
- Remove residual traces of electrolyte
- Cool down the hydrogen
- Feed water reservoir

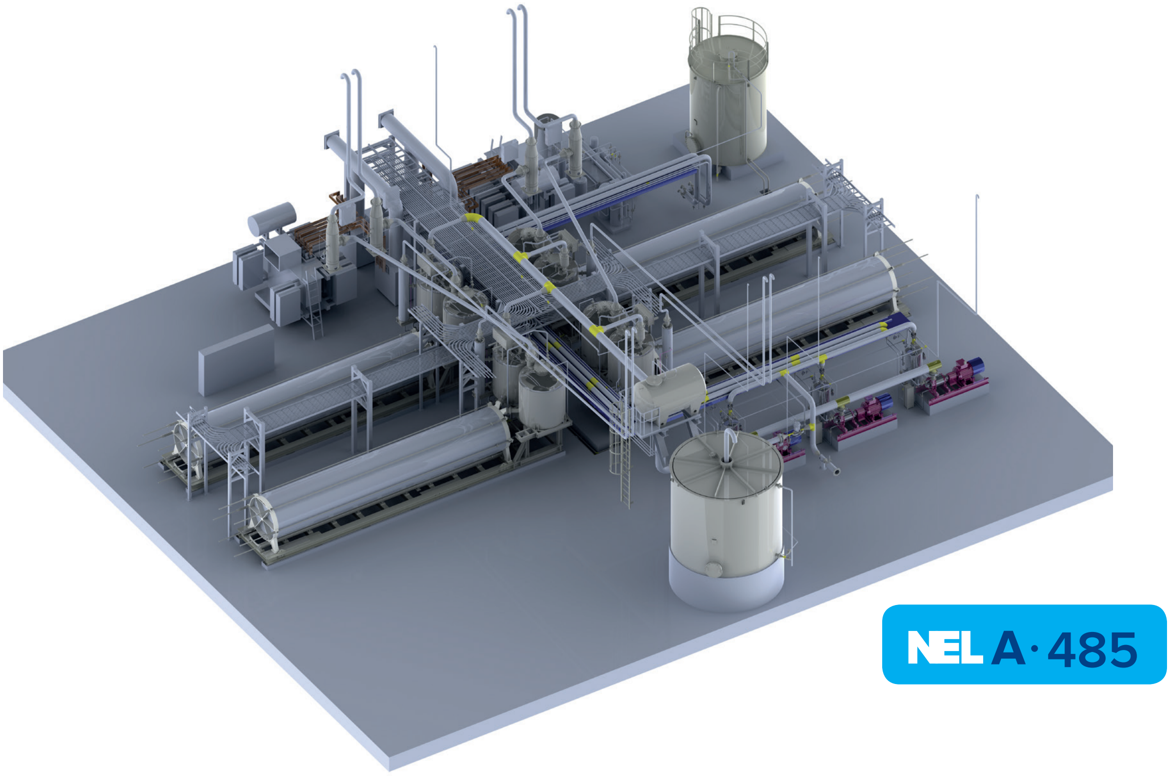
**Gas Holder**
The gas holder is a buffer tank installed between the electrolyser and the compressor or the process at site.

**Compressor**
If required, a compressor is installed to compress the gas from atmospheric pressure in the gas holder to the pressure required for the process or the storage vessel.

**Deoxidiser**
Hydrogen generated in the electrolyser is a very pure gas. It is saturated with water, and has an oxygen content of less than 0.2%. If higher purity is required, residual oxygen can be removed by catalytic reaction in a deoxidizer.

**Dryer**
The dryer will dry the gas to reach the suitable dew point. It consists of twin towers filled with a desiccant to absorb the water.

**Gas Storage**
The gas storage provides a back-up solution or ensures the hydrogen make-up for batch applications with uneven gas consumption.




## NEL A - Technical Specifications

| CAPACITY / NOMINAL FLOW RATE | NEL A·150 | NEL A·300 | NEL A·485 |
|---|---|---|---|
| Capacity range ($Nm^3H_2$/hr) per unit | **50-150** | **151-300** | **301-485** |
| Production capacity dynamic range | 20-100% of nominal flow rate | | |
| **ENERGY (ELECTROLYSER CELL STACK)** | | | |
| Typical power consumption (kWh/$Nm^3H_2$) | 3.8-4.4 | | |
| **PURITY (MEASURED ON DRY BASIS)** | | | |
| $H_2$ purity (%) | 99.9±0.1 | | |
| $O_2$ purity (%) | 99.95±0.2 | | |
| **After purification (1)** | | | |
| $O_2$-content | < 2 ppm v | | |
| $H_2O$-content | < 2 ppm v | | |
| **PRESSURE** | | | |
| $H_2$ outlet pressure after electrolyser | 200-400 mm WG | | |
| $H_2$ outlet pressure after compressor (2) | Max 250 bar g | | |
| **OPERATION** | | | |
| Operating temperature | 80°C | | |
| Electrolyte | 25% KOH aqueous solution | | |
| Feed water consumption | 0.9 litre/$Nm^3H_2$ | | |

(1) Higher purities available on demand
(2) Higher pressure available on demand