

SECOND QUARTER REPORT 2015



www.nel-hydrogen.com

Overview

Highlights

- In the second quarter of 2015 NEL ASA ("NEL") acquired H2 Logic A/S (H2 Logic) of Denmark, the world's largest independent supplier of hydrogen refuelling stations. The transaction was partly financed by a significantly oversubscribed private placement and a subsequent offering.
- NEL also increased its ownership in Hyme AS, a Norwegian provider of solutions for hydrogen refuelling stations, from 31 to 56.8 %.
- NEL reported revenues in the second quarter of NOK 16.0 million, compared with NOK 17.6 million in the preceding quarter (first quarter 2015).
- Adjusted EBITDA was zero, compared with an EBITDA of NOK 1.5 million in the preceding quarter.
- Reported net loss was NOK 7.6 million, including NOK 5.3 million in transaction costs related to the acquisition of H2 Logic, compared with a loss of NOK 0.6 million in the preceding quarter.
- H2 Logic is not consolidated in the P&L figures for the second quarter 2015. Due to IFRS accounting standards, the transaction is reflected in the balance sheet.
- H2 Logic reported revenues of NOK 33.9 million in the first half 2015, with a positive EBIT of NOK 5.6 million.
- Cash balance medio August 2015 at approximately NOK 170 million.

Key figures

	2015	2014	2015	2015	2014	2014
<i>(Unaudited figures NOK million)</i>	Q2	Q2	H1	H1**	H1	Full year
Operational revenue	16.0	0	33.6	67.5	0	12.6
Total operating cost	24.9	0.9	44.6	72.9	0.9	25.2
Adjusted EBITDA*	0.0	0.9	1.5	8.9	-5.3	-9.5
EBIT	-9.0	-0.9	-11.0	-5.4	-5.3	-13.2
Pre-tax profit	-8.6	-0.6	-10.1	-4.7	-5.3	-11.6
Net profit	-7.6	-0.6	-8.3	-4.1	-5.0	-6.5
Net cash flow from operating activities	-1.5	-1.7	-9.9	-	-8.0	4.4
Cash balance end of period	152.2	51.5	152.2	-	51.5	98.5

*Adjusted EBITDA excludes NOK 5.3 million in Q2 2015 transaction costs related to acquisition of H2 Logic. ** Pro forma figures including H2 Logic.

Key events after the end of the quarter

- 10 July: NEL announced that H2 Logic A/S, subsidiary of NEL ASA, has executed a binding technology transfer agreement with Mitsubishi Kakoki Kaisha, Ltd. (MKK) listed on the Tokyo stock exchange and a member of the Mitsubishi Group companies. The agreement includes a technology transfer and adaption of the H2Station® CAR-100 product for the Japanese market with the aim to achieve the first station in operation during 2016.
- 14 July: The share capital increase pertaining to the 22,222,222 new shares issued in the subsequent offering was registered with the Norwegian Register of Business Enterprises.

Foundation for growth within hydrogen

NEL is a dedicated hydrogen company on the Oslo Stock Exchange. After acquiring NEL Hydrogen AS in 2014, increasing its ownership in Hyme AS and acquiring H2 Logic in the second quarter of 2015, the foundation has been built for a business strategy for NEL ASA.

In the second quarter, NEL delivered a solid performance with revenues of NOK 16.0 million, compared with NOK 17.6 million in the preceding quarter (first quarter 2015). Comparisons are made with the preceding quarter as the business transformation makes comparisons to the second quarter of 2014 of no value.

Adjusted EBITDA was NOK 0.0 million, compared with an EBITDA of NOK 1.5 million in the preceding quarter. Adjusted EBITDA excludes NOK 5.3 million in Q2 2015 transaction costs related to acquisition of H2 Logic. Also, the company depreciated intangible assets with NOK 3.5 million. Hence, reported net loss ended at NOK 7.6 million, compared with a loss of NOK 0.6 million in the preceding quarter.

H2 Logic is not consolidated in the P&L figures for the second quarter 2015, while the acquisition is reflected in the balance sheet. H2 Logic had a solid development during the first six months of 2015 and reported revenues of NOK 33.9 million with a positive EBIT of NOK 5.6 million, calculated on a DKK/NOK exchange rate of 1.16.

The cash balance at the end of the second quarter for NEL ASA was NOK 152 million, down from NOK 164 million at the beginning of the quarter. In order to part finance the cash component of the acquisition of H2 Logic, NEL carried out a private placement of 51,301,852 shares in June and a subsequent offering of 22,222,222 shares in July, both at a price of NOK 1.35 per share. The transactions were significantly oversubscribed. After these transactions, NEL's cash balance is approximately NOK 170 million.

NEL and H2 Logic

NEL aims to maintain and grow its position as a world-leading manufacturer of hydrogen electrolyzers and hydrogen refuelling stations for cars and transport. Rapid market growth is expected as hydrogen fuel cell vehicles increasingly are introduced from major car manufacturers, and the company is experiencing an increased number of requests for quotations for hydrogen refuelling station networks. NEL is able to deliver a complete solution, from production of hydrogen to refuelling of vehicles. The acquisition of H2 Logic in the second quarter was a step towards this goal.

NEL ASA acquired 100 per cent of the shares of H2 Logic for a total consideration of NOK 300 million on an enterprise value basis, financed through NOK 100 million in cash and new shares of NEL at NOK 1.35 per share.

Based in Herning, Denmark, H2 Logic is the world's largest independent hydrogen refuelling station company with more than 20 units delivered in seven different countries, including the entire network in Denmark.

H2 Logic has strong involvement with major stakeholders, car manufacturers and policy groups, as well as best-in-class technology based on significant R&D, investment and testing.

NEL has now positioned itself as a world-leading supplier of Hydrogen Refuelling Stations (HRS) and takes a key role in the development of the supply infrastructure for Fuel Cell Electric Vehicles (FCEVs).

This market is at a tipping point as hydrogen fuel cell electric vehicles are launched globally in 2015. Toyota launched the Mirai for sale late 2014, and the demand was significantly exceeding expectations in all markets, especially in Japan and California. Both markets where NEL is positioned for hydrogen refuelling station sales.

In addition to its use as fuel for cars, NEL sees great potential for hydrogen as an energy carrier related to the growth in renewable energy and the shift from fossil to renewable fuels. Energy markets increasingly will demand flexible production of hydrogen in order to follow the natural fluctuations in renewable electricity generation from sources such as wind and solar power, with hydrogen acting as a “battery” for renewable energy. The market is still in a nascent stage, but it is potentially several times larger than the present electrolyser market.

NEL’s growth strategy is rooted in history. Its subsidiary NEL Hydrogen AS is a world-leading supplier of hydrogen production plants based on alkaline water electrolyser technology. The history 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.

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

NEL Hydrogen’s main product is its line of atmospheric hydrogen electrolysers suited for large-scale applications and customers who want a stable supply of hydrogen. NEL Hydrogen started commercial sales of electrolysers in the 1970s and has sold more than 500 electrolysers to customers in various industries across Europe, South America, Africa and Asia.

With no carbon footprint, hydrogen is together with electricity set to become the main energy carrier of the future. Based on our unique electrolyser technology with superior energy efficiency, design and scalability, NEL aims for profitable growth aligned with a zero-emission vision of the future.

Healthcare

NEL still holds five patent families and over 100 patents granted within healthcare. NEL continues to evaluate opportunities for its healthcare division, including, but not limited to, possible mergers, acquisitions and strategic partnerships.

Statement regarding forward-looking statements

Matters discussed in this report may constitute forward-looking statements.

The forward-looking statements in this report are based on various assumptions, many of which are based upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult to predict and beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

Responsibility Statement

We confirm to the best of our belief that the financial statements for the first half of 2015, which have been prepared in accordance with IAS 34 – Interim Reporting, give a true and fair view of the company's assets, liabilities, financial position and results of operation.

Oslo, 12 August 2015

The Board of Directors

Øystein Stray Spetalen

Board member

(Sign)

Martin Nes

Chairman

(Sign)

Anne Marie Gohli Russell

Board member

(Sign)

Eva Dugstad

Board member

(Sign)

Jan Christian Opsahl

Board member

(Sign)

Kristin Hellebust

Board member

(Sign)

Mikael Sloth

Board member

(Sign)

Lars Christian Stugaard

CEO

(Sign)

Condensed Interim Financial Statements

Statement of comprehensive income (unaudited)

FINANCIAL STATEMENT - Q2 2015

PROFIT & LOSS <i>(figures in NOK thousands)</i>	Note	2015 Q2	2014 Q2	2015 Q1-Q2	2014 Q1-Q2
Operating Income					
Sales income		15 973	0	33 570	0
Other operating income		-11		-11	
Total operating revenue		15 962	0	33 559	0
Operating expenses					
Cost of goods sold		6 928	0	13 965	0
Total cost of goods sold		6 928	0	13 965	0
Operating costs					
Wages and social costs		4 482	159	8 963	1 455
Depreciation physical fixed assets		184	0	288	100
Depreciation intangible assets		3 450	0	6 900	0
Other operating costs		9 884	749	14 459	3 790
Total other operating costs		17 999	908	30 609	5 345
Total operating costs		24 927	908	44 575	5 345
Operating profit (loss)		-8 965	-908	-11 016	-5 345
Financial income		814	277	1 574	335
Financial expenses		421	4	701	5
Net financial income/expense		393	273	873	329
Profit (loss) before taxes		-8 572	-635	-10 143	-5 016
Tax costs		-932	0	-1 863	0
NET PROFIT (LOSS)		-7 641	-635	-8 280	-5 016
Non-controlling interests' share of Net profit		-170		-170	
Net profit per share <i>(figures in NOK)</i>		-0.02	-0.01	-0.02	-0.10

Statement of financial position (unaudited)**FINANCIAL STATEMENT - Q2 2015**

BALANCE SHEET <i>(figures in NOK thousands)</i>	Note	2015 Q2	2015 Q1	2014 Q4	2014 Q2
ASSETS					
Immaterial assets					
Technology		29 939	8 550	8 775	0
Customer relationship		33 195	31 350	32 175	
Customer contracts		2 400	4 800	7 200	
R&D		5 123	99	0	
Goodwill		323 491	60 799	60 799	
Total immaterial assets		394 148	105 598	108 949	0
Land, buildings and real estate					
Land, buildings and real estate		14 969	3 856	3 893	
Total land, buildings and real estate		14 969	3 856	3 893	0
Other fixed assets					
Fixtures and fittings, tools, etc.		1 039	1 106	1 174	0
Total other fixed assets		1 039	1 106	1 174	0
Financial fixed assets					
Financial fixed assets		7 026	263	263	
Total financial fixed assets		7 026	263	263	0
Total fixed assets		417 182	110 823	114 278	0
Current assets					
Inventories		17 412	8 839	6 071	0
Trade receivables		19 007	22 887	18 927	0
Other receivables		6 535	3 395	1 406	2 114
Financial current assets		2 068			
Cash and cash equivalents		152 228	164 479	98 497	51 523
Total current assets		197 250	199 599	124 901	53 636
TOTAL ASSETS		614 432	310 422	239 179	53 636
EQUITY AND LIABILITIES					
Equity					
Share capital		119 676	79 786	67 786	21 632
Share premium/Other paid equity		423 374	190 931	134 663	35 018
Retained earnings		-16 254	-639	-6 511	-5 016
Non-controlling interests' share		578			
Total equity		527 374	270 078	195 937	51 635
Provisions					
Deferred tax liability		21 941	15 052	15 984	
Total provisions		21 941	15 052	15 984	0
Other long term liabilities					
Other long term liabilities		17 167	7 318	7 578	
Total other long term liabilities		17 167	7 318	7 578	0
Liabilities					
Accounts payable		22 735	2 210	3 100	108
Tax payable		1 018	0	0	0
Social security, VAT etc. payable		227	706	1 735	568
Dividends payable		0	0	0	0
Other current liabilities		21 069	15 059	14 847	1 326
Total current liabilities		45 050	17 974	19 681	2 002
TOTAL EQUITY AND LIABILITIES		614 432	310 422	239 179	53 636

Statement of changes in equity (unaudited)

Statement of changes in Equity and Number of Shares:						
<i>(figures in NOK/numbers)</i>	Share capital	Share premium	Other reserves	Other equity	Total equity	Number of shares
As at 1st January 2014	1 632	45 016	-310	-37 662	8 675	8 159 873
Allocation of comprehensive loss		-37 972	310	37 662	0	
Shares owned by company				-2 085	-2 085	
Transaction cost		-5 342		0	-5 341	
Increase of capital 15.4.14	20 000	30 000			50 000	100 000 000
Increase of capital 20.10.14	35 385	79 615			115 000	176 923 077
Increase of capital 13.11.14	10 769	24 231			35 000	53 846 154
Consideration				1 200	1 200	
Comprehensive income 1.1.-31.12.2014				-6 511	-6 511	
As at 31th December 2014	67 786	135 548	0	-7 396	195 937	338 929 104
					0	
Transaction cost		-3 220			-3 220	
Increase of capital 12.01.2015	10 000	55 000			65 000	50 000 000
Increase of capital 02.02.2015	2 000	11 000			13 000	10 000 000
Comprehensive income 1.1.-31.3.2015				-639	-639	
As at 31st March 2015	79 786	198 328	0	-8 036	270 078	398 929 104
Increase of capital 12.06.2015	10 260	58 997			69 258	51 301 852
Increase of capital 26.06.2015	29 630	170 370			200 000	148 148 148
Transaction costs rel. to Incr. of capital Q2		-4 321			-4 321	
Comprehensive income Q2 2015				-7 641	-7 641	
As at 30th June 2015	119 676	423 374	0	-15 676	527 374	598 379 104

Total number of shares after completion of the subsequent offering of 22,222,222 new shares in July is 620,601,326 shares with a nominal value of NOK 0.20 per share.

Statement of cash flow (unaudited)

FINANCIAL STATEMENT - Q2 2015

CASH FLOW STATEMENT <i>(figures in NOK thousands)</i>	Note	2015 Q2	2014 Q2	2015 Q1-Q2	2014 Q1-Q2
Cash flow from operating activities					
Pre-tax profit (loss)		-8 572	-635	-10 143	-5 016
Income taxes paid		0	0	0	0
Ordinary depreciation		3 634	0	7 188	235
Impairment of fixed assets		0	0	0	100
Fair value granted option rights		0	0	0	0
Loss on sale of fixed assets		0	0	0	0
Change in pension scheme liabilities		0	0	0	0
Change in inventories, accounts receivable and accounts payable		15 742	-695	8 124	-113
Change in other short-term receivables and other short-term liabilities		-12 288	-417	-15 093	-3 151
<i>Net cash flow from operating activities</i>		<i>-1 485</i>	<i>-1 747</i>	<i>-9 924</i>	<i>-7 945</i>
Cash flow from investment activities					
Proceeds from sale of fixed assets		0	0	0	0
Acquisitions of fixed assets		-259		-358	
Acquisitions of subsidiaries / financial fixed assets		-75 185		-75 185	
<i>Net cash flow from investing activities</i>		<i>-75 443</i>	<i>0</i>	<i>-75 542</i>	<i>0</i>
Cash flow from financing activities					
Contribution of share capital		64 937	48 082	139 717	47 975
Proceeds from new loan		0		0	
Payment of short and long term liabilities		-260	0	-519	0
<i>Net cash flow from financing activities</i>		<i>64 677</i>	<i>48 082</i>	<i>139 197</i>	<i>47 975</i>
<i>Net change in cash and cash equivalents</i>		<i>-12 251</i>	<i>46 335</i>	<i>53 730</i>	<i>40 030</i>
Cash and cash equivalents		152 228	51 523	152 228	51 523

Notes to the interim financial statements

1. Presentation

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). This financial information should be read together with the financial statements for the year ended 31st of December 2014 prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies used and the presentation of the Interim Financial Statements are consistent with those used in the latest Annual Financial Statements.

The preparation of the Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the Interim Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

2. Going concern

The financial statement is presented on the going concern assumption under International Financial Reporting Standards.

As per the date of this report the Company has sufficient working capital for its planned business activities over the next twelve month period.

3. NEL Hydrogen AS

NEL Hydrogen AS is a global leader in the supply of hydrogen-based electrolyser plants and hydrogen fuelling stations. The company's production facility is located in Notodden, Norway. NEL ASA holds 100% of the shares in NEL Hydrogen AS.

NEL HYDROGEN AS (unaudited)

	2015	2014
<i>(figures NOK million)</i>	Q2	Full year
Total operating revenue	16,0	69.0
Total operating cost	14.2	54.5
Operating profit	1.8	14.5
Net Financial income (expense)	-0,2	0.6
Pre-tax profit (loss)	1.6	15.0

4. Acquisition of H2 Logic

The acquisition of H2 Logic is considered to be a business combination under IFRS 3 and consequently all assets acquired and liabilities assumed are accounted for at its fair value at the acquisition date. Based on the preliminary purchase price allocation, fair value adjustments have been allocated to H2 Logic as described below. The purchase price is NOK 300 million. Book value of equity is NOK 13.4 million, which gives an excess value of NOK 286.6 million. Identified assets are intangible assets including related customer relationships of NOK 2.7 million, and technology of NOK 21.4 million as well as financial assets of NOK 6.2 million and deferred tax on the excess value amounts to NOK 6.0 million, which leaves a recognized goodwill of NOK 262.3 million. The identified intangible assets will be depreciated over their useful life; related customer relationships will be depreciated over 10 years, 12 months depreciation amounts to NOK 0.2 million. Technology will be depreciated over 10 years, 12 month's depreciation amounts to NOK 2 million.

In accordance with IFRS, goodwill is not amortized but assessed for impairment; no impairment has been recorded.

The table below provides a detailed breakdown of the allocation of the business combination cost.

Cost of business combination	Shares acquired	Amount (NOKm)
Agreed purchase price	100 %	300.0
Consideration		300.0
Fair value of previously held associated companies/		-
Acquisition of subsidiary in stages		-
Non-controlling interests		-
Cost of business combination		300.0
Book value equity		-13.4
Excess value		286.6
Goodwill pre-acquisition		-
Excess value to be allocated		286.6
Excess value is allocated to:		
Customer relationships		2.7

Technology	21.4
Financial assets (CHN)	6.2
Deferred tax	-6.0
<hr/> Total allocated	<hr/> 24.2
<hr/> Goodwill	<hr/> 262.3
<hr/>	<hr/>

The acquired goodwill is not tax deductible.

Measured from the transaction date total profit related to H2 Logic included in the consolidated statement of comprehensive income in the second quarter 2015 as well as year to date 2015 amounts to zero. If H2 Logic had been acquired on 1 January 2015 total revenue for the combined entity for 2015 would have been 67.5 million in 2015 and total profit would have been minus NOK 4.1 million.

5. Goodwill

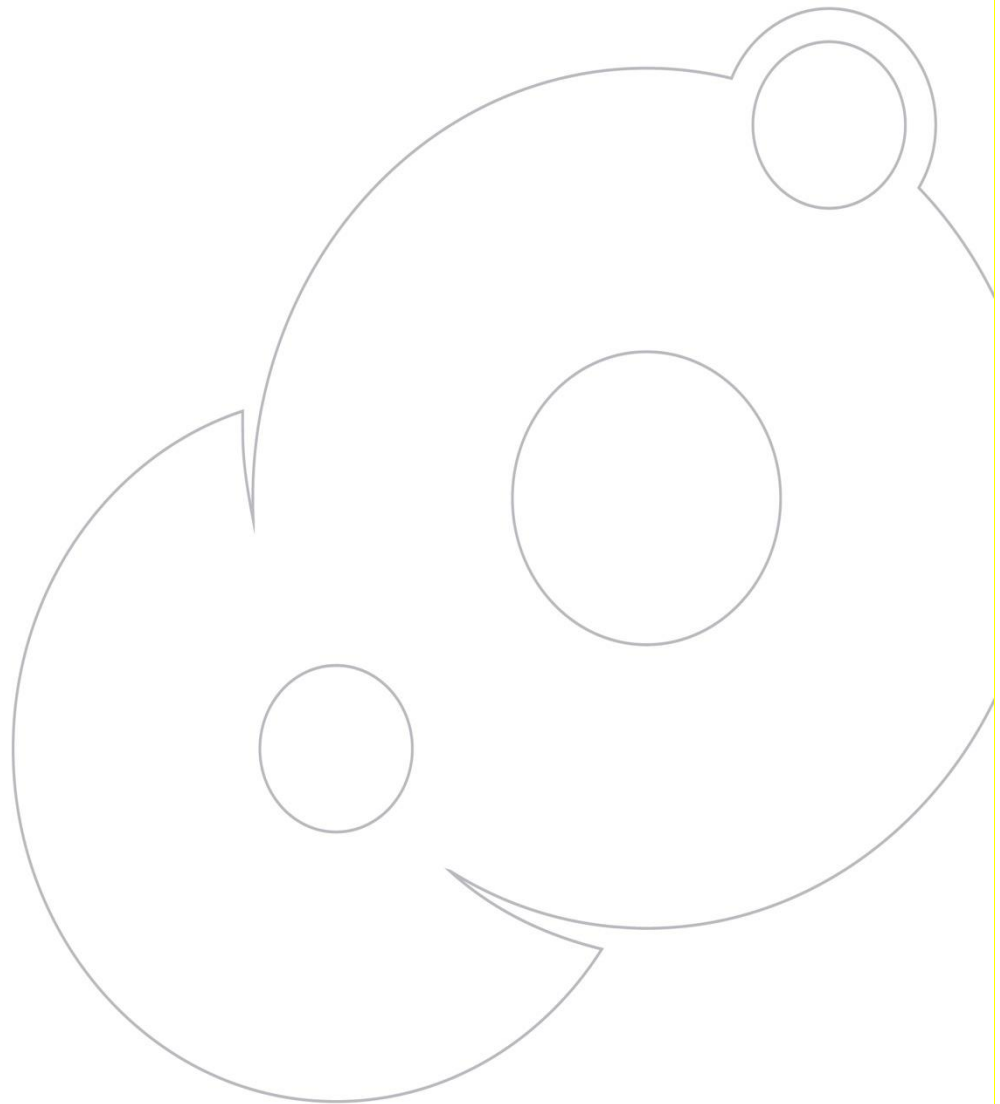
The table below shows the movement in goodwill during the first half of 2015.

	Amount (NOKm)
<hr/> Goodwill as of 1 January 2015	<hr/> 60.8
Acquisition of H2 Logic	262.3
Other adjustments	0.4
<hr/> Goodwill as of 30 June 2015	<hr/> 323.5
<hr/>	<hr/>

6. Related party transactions

NEL ASA has paid MNOK 3 in transaction fees to Ferncliff in connection with the acquisition of H2 Logic in the second quarter 2015.

NEL ASA has also paid MNOK 0,6 in management fees to Ferncliff in the period.



if the future could choose

NEL ASA

Phone: +47 23 01 49 00

E-mail: info@nel-hydrogen.com

Web: www.nel-hydrogen.com

Address: Sjølyst Plass 2, 0278 Oslo, Norway