

FOURTH QUARTER REPORT 2014



Overview

Highlights

- In the fourth quarter, NEL ASA finalized the acquisition of 100% of the shares in NEL Hydrogen AS for a total consideration of NOK 120 million.
- NEL Hydrogen AS 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 ASA reported a net loss of NOK 1.01 million for the quarter after booking transaction costs of NOK 1.9 million, and depreciation of excess value related to the acquisition of NEL Hydrogen AS in accordance with IFRS accounting standards of NOK 3.5 million. Operational revenue was NOK 12.1 million.
- In the fourth quarter NEL ASA raised NOK 135 million in gross proceeds through share issues.
- An extraordinary general meeting on 19 December elected a new Board of Directors consisting of: Martin Nes (chairman), Øystein Stray Spetalen, Jan Christian Opsahl, Eva Dugstad, Anne Marie Gohli Russell and Harald Arnet (deputy board member).

Key figures

The table relates to the consolidated figures for NEL ASA ("The Company").

<i>(unaudited figures NOK million)</i>	2014	2013	2014	2014	2013
	Q4	Q4	Full year	proforma*	Full year
Operational revenue	12.07	0.02	12.07	69.30	0.16
Total operating cost	(19.13)	(6.83)	(25.24)	(77.90)	(37.34)
Pre-tax profit (loss)	(6.14)	(6.70)	(11.63)	(7.40)	(36.63)
Net profit (loss)	(1.01)	(6.70)	(6.51)	(3.40)	(36.63)
Net cash flow from operating activities	14.50	(6.22)	5.50	8.52	(35.49)
Cash balance end of period	98.50	11.49	98.50	98.50	11.49

*Proforma consolidated figures include NEL Hydrogen AS on a full year basis

Key events since fourth quarter 2014 and current financial position

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

A pivotal quarter and year for NEL ASA

In the fourth quarter 2014, NEL ASA signed a share purchase agreement with the shareholders of NEL Hydrogen AS to acquire the company.

The Company 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.

The consideration shares are subject to an extensive lock up. 27,692,308 shares held by key employees have a total lock up of four years and 27,692,307 held by these key employees have a total lock up of two years. 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 of one year.

During the fourth quarter NEL Hydrogen AS signed two contracts for new hydrogen electrolyser plants including supplementary equipment. One for delivery in South America and one in Norway. The combined value of the two contracts is approximately NOK 25 million.

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

About NEL Hydrogen AS

NEL Hydrogen AS 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.

Traditionally hydrogen is used as an input to a number of industrial applications, either as an 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 PV solar panels.

Going forward hydrogen is increasingly being utilized as an energy carrier, both for maximizing the utilization of renewable energy, and subsequently as a sustainable fuel for zero emission fuel cell

electric vehicles (FCEV). With the commercial introduction of FCEVs already taking place, NEL Hydrogen AS will supply the markets of hydrogen refueling, energy storage and power to gas.

The specific water electrolyser market is today only a small fraction of the total hydrogen market, but this segment is expected to grow significantly in the coming years, refueling and energy storage being the main drivers. In 2020, 40% of renewable electricity is expected to come from wind and solar, compared with 27% in 2013 (source: IEA).

Several energy storage projects have been initiated worldwide and NEL Hydrogen AS expects this development will be a main driver for hydrogen energy storage in medium-term, with specific interest for NEL Hydrogen AS as the market now is growing into NEL Hydrogen AS's portfolio of large scale products.

NEL Hydrogen AS started commercial sales of electrolysers in the 1970s, and has sold more than 500 electrolysers in a wide array of industries across Europe, South America, Africa and Asia. The company has production facilities in Notodden, Norway and has a global reach through its own sales representatives and extensive agent network.

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

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.

Oslo, 12 February 2015

The Board of Directors

Responsibility Statement

We confirm to the best of our belief that the financial statements for the fourth quarter of 2014, that have been prepared in accordance with IAS 34 – Interim Reporting, gives a true and fair view of the company's assets, liabilities, financial position and results of operation.

Oslo, 12 February 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)

Lars Christian Stugaard

CEO

(Sign)

Condensed Interim Financial Statements

Statement of comprehensive income (unaudited)

FINANCIAL STATEMENT - Q4/2014

Statement of comprehensive income (figures NOK thousands)	Note	2014 Q4	2013 Q4	2014 1 Jan-31 Dec.	2013 1 Jan-31 Dec.
Operating Income					
Other operating income		12 067	22	12 067	157
Total operating revenue		12 067	22	12 067	157
Operating expenses					
Cost of goods sold		3 361	0	3 361	554
Total cost of goods sold		3 361	0	3 361	554
Operating costs					
Wages and social costs		5 685	4 964	7 342	20 843
Depreciation		3 551	66	3 651	731
Devaluation goodwill		0	-244	0	1 195
Other operating costs		6 534	2 041	10 885	14 019
Total other operating costs		15 770	6 827	21 878	36 788
Total operating costs		19 131	6 827	25 239	37 342
Operating profit (loss)		-7 064	-6 804	-13 173	-37 185
Financial income		1 195	143	1 813	743
Financial expenses		268	41	274	190
Net financial income/expense		927	102	1 539	553
Pre-tax profit (loss)		-6 137	-6 703	-11 633	-36 633
Tax expense		-5 127	0	-5 127	0
NET PROFIT (LOSS)		-1 010	-6 703	-6 506	-36 633
Other comprehensive income		0	1 030	0	1 030
Comprehensive income		-1 010	-7 732	-6 506	-37 662
Net profit per share (figures in NOK)		0.00	-0.95	-0.02	-5.66
Net profit per share after delution		0.00	-0.95	-0.02	-5.66

Statement of financial position (unaudited)

Statement of financial position (figures NOK thousands)	Note	2014 31 Dec	2013 31 Dec
ASSETS			
Fixed assets			
Technology		8 775	0
Customer relationship		32 175	0
Customer contracts		7 200	0
Goodwill		60 799	335
Total non-current assets		108 949	335
Land, buildings and real estate			
Land, buildings and real estate		3 893	0
Total land, buildings and real estate		3 893	0
Fixed assets			
Fixtures and fittings, tools, etc.		1 174	0
Total fixed assets		1 174	0
Financial assets			
Investments in shares		163	0
Total financial assets		163	0
Total fixed assets		114 178	0
Current assets			
Inventory		6 071	0
Trade receivables		18 927	56
Other receivables		1 406	3 340
Cash and cash equivalents		98 497	11 492
Total current assets		124 901	14 888
TOTAL ASSETS		239 079	15 223
EQUITY AND LIABILITIES			
Equity			
Share capital		67 786	1 632
Paid in equity		134 663	44 705
Retained earnings		-6 506	-37 662
Total equity		195 942	8 675
Provisions			
Deferred tax		15 979	0
Total provisions		15 979	0
Other long term liabilities			
Other long term liabilities		7 578	0
Total other long term liabilities		7 578	0
Liabilities			
Accounts payable		3 100	277
Social security, VAT etc. payable		1 735	1 673
Other current liabilities		14 747	4 600
Total current liabilities		19 581	6 549
TOTAL EQUITY AND LIABILITIES		239 079	15 223

Statement of changes in equity (unaudited)

Statement of changes in Equity and Number of Shares: (figures in NOK/numbers)			Share	Other	Other	Total	Number
	Note	Share capital	premium	reserves	equity	equity	of shares
As at 1st January 2012		13 512	75 979	237	-34 753	54 975	27 023 652
Allocation of comprehensive loss			-34 516	-237	34 753	0	
Fair value granted option rights			-959	0	0	-959	
Transaction cost			0	367	0	367	
Principle change pension liabilities			-2 007	0	0	-2 007	
Comprehensive income 1.1.-31.12.2012			0	0	-35 927	-35 927	
As at 31st December 2012		13 512	38 497	368	-35 927	16 450	27 023 652
Allocation of comprehensive loss			-35 559	-368	35 927	0	
Fair value granted option rights			0	-310	0	-310	
Transaction cost			-2 547	0	0	-2 547	
Increase of capital 8.4.13		25 000	5 000	0	0	30 000	50 000 000
Increase of capital 8.5.13		2 288	458	0	0	2 745	4 575 078
Reduction of share capital 16.8.13 (10:1)		-39 167	39 167	0	0	0	-73 438 857
Comprehensive income 1.1.-31.12.2013			0	0	-37 662	-37 662	
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	
Treasury shares					-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					-6 506	-6 506	
As at 31th December 2014		67 786	135 548	0	-7 391	195 942	338 929 104

Statement of cash flow (unaudited)

CASH FLOW STATEMENTS <i>(figures NOK thousands)</i>	Note	2014 Q4	2013 Q4	2014 1 Jan-31 Dec	2013 1 Jan-31 Dec
Cash flow from operating activities					
Pre-tax profit (loss)		-6 137	-7 732	-11 633	-37 662
Ordinary depreciation		3 551	66	3 786	731
Impairment of fixed assets		0	-244	100	1 195
Fair value granted option rights		0	-688	0	-310
Change in pension scheme liabilities		0	-827	0	-1 294
Change in inventories, accounts receivable and accounts payable		-5 483	-785	-5 490	924
Change in other short-term receivables and other short-term liabilities		22 571	3 996	18 736	923
<i>Net cash flow from operating activities</i>		<i>14 501</i>	<i>-6 215</i>	<i>5 498</i>	<i>-35 493</i>
Cash flow from investment activities					
Proceeds from sale of fixed assets		0	8	0	8
Acquisitions of fixed assets		-32 998	0	-32 998	0
<i>Net cash flow from investing activities</i>		<i>-32 998</i>	<i>8</i>	<i>-32 998</i>	<i>8</i>
Cash flow from financing activities					
Contribution of share capital		66 684	0	114 659	30 198
Payment of short and long term liabilities		-155	-417	-155	-1 667
<i>Net cash flow from financing activities</i>		<i>66 529</i>	<i>-417</i>	<i>114 504</i>	<i>28 531</i>
<i>Net change in cash and cash equivalents</i>		<i>48 032</i>	<i>-6 624</i>	<i>87 004</i>	<i>-6 953</i>
					0
Cash and cash equivalents		98 497	11 492	98 497	11 492

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 2013 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)

Income statement

	2014	2014
<i>(figures NOK thousands)</i>	Q4	Full year
Total operating revenue	12 067	69 326
Total operating costs	12 018	54 515
Operating profit (loss)	48	14 515
Net financial income (expense)	623	591
Pre-tax profit (loss)	671	15 105

4. Acquisition of NEL Hydrogen AS

The acquisition of NEL Hydrogen AS 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 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. In accordance with IFRS, goodwill is not amortized but assessed for impairment; no impairment has been recorded.

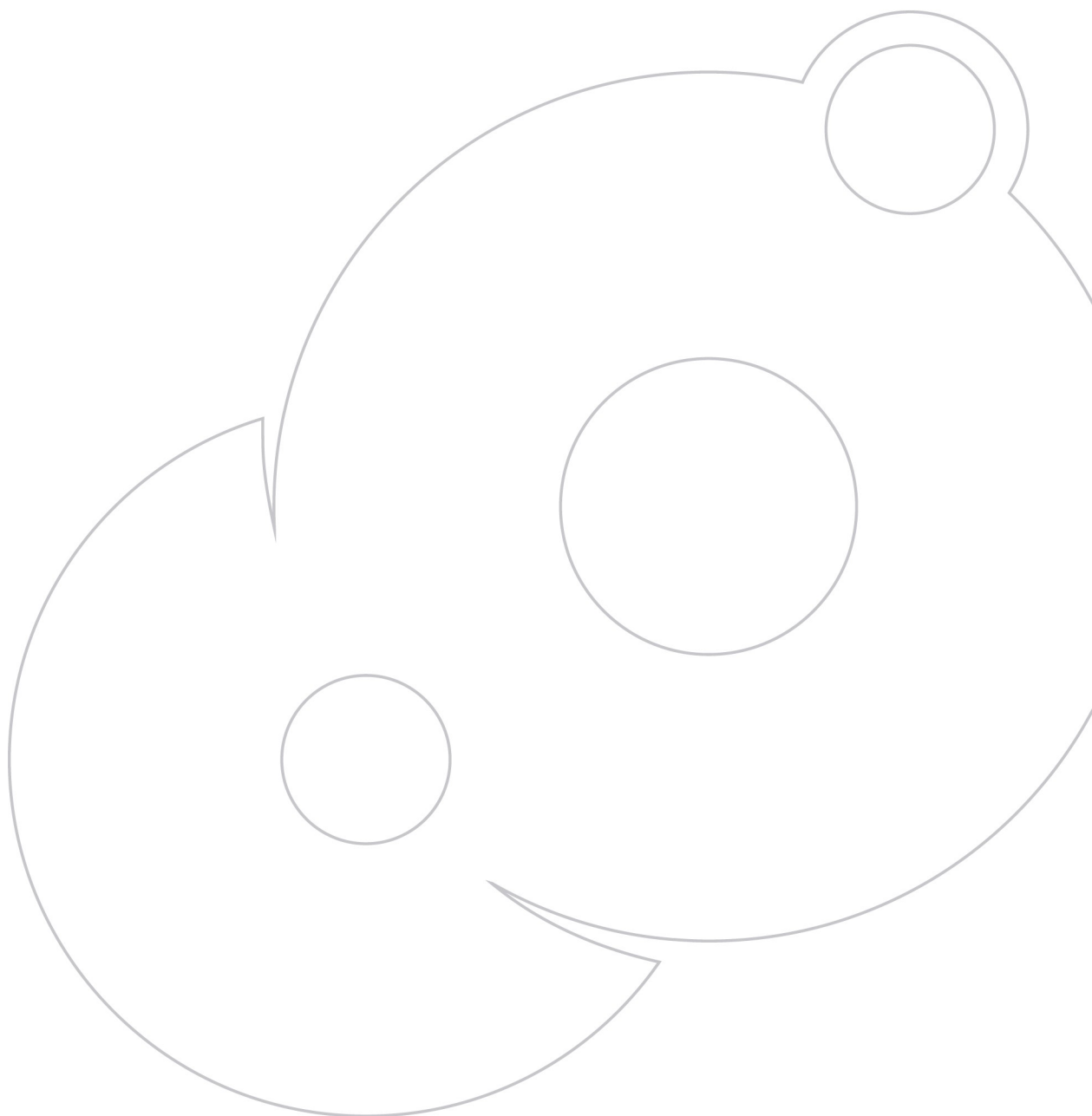
Cost of business combination	Shares acquired	Amount (NOKm)
Agreed purchase price	100 %	120.0
Consideration – gross		121.2
- Adjustment for treasury shares held by NEL Hydrogen		-3.1
Net consideration		118,1
Fair value of previously held associated companies/ Acquisition of subsidiary in stages Non-controlling 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 related to NEL Hydrogen AS including the fourth quarter 2014 as well as year to date 2014 amounts to NOK 12.1 million.

Measured from the transaction date total profit related to NEL Hydrogen AS including the fourth quarter 2014 as well as year to date 2014 amounts to NOK 0.4 million.

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.



if the future could choose

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