

# Third Quarter 2022 Results Presentation

20 October 2022

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# Agenda

1. Nel in brief
2. Q3 2022 highlights
3. Political events
4. Commercial developments
5. Summary and outlook
6. Q&A





This is Nel

Nel is a global, dedicated hydrogen technology company that delivers optimal solutions to produce, store and distribute hydrogen from renewable energy

We unlock the potential of renewables and enable global decarbonization

# Leading pure play hydrogen technology company with a global footprint

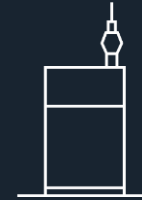


Pure play hydrogen technology company listed on the Oslo Stock Exchange (NEL.OSE) since 2014



World's largest electrolyser manufacturer, with >3,500 units delivered in 80+ countries since 1927

Alkaline prod. capacity: ~500 MW → ~1 GW /year  
PEM prod. capacity: ~50 → ~200 MW/year



Leading manufacturer of hydrogen fueling stations, with ~120 H2Station™ solutions delivered/in progress to 14 countries.



Manufacturing facilities in Norway, the US, and Denmark



Global sales network and offices



~575 Employees



Preferred partner with industry leaders



NOK 3.5 billion in cash reserves

## 2. Q3 2022 highlights

# Highlights

## Financial results and financing

### Revenues

**NOK 183 million**

Electrolyser: NOK 148 million (flat vs. Q3 2021)

Fueling: NOK 35 million (down 57% vs. Q3 2021)

### EBITDA

**NOK -214 million**

Decrease from -113 million in Q3 2021

### Order backlog

**NOK 2,103 million**

Up 107% vs. NOK 1,014 million Q3 2021

### Order intake

**NOK 775 million**

Up 456% vs. NOK 139 million in Q3 2021

### Cash balance

**NOK 3,520 million**

Up 20% from NOK 2,930 million in Q3 2021

## Key developments in Q3 2022

- Received purchase orders for:
  - 200 MW of alkaline stacks from a US client. Value approx. EUR 45m
  - An alkaline electrolyser in Denmark from Skovgaard Energy. Value approx. EUR 4m
  - A PEM containerized electrolyser in Australia from Viva Energy. Value approx. EUR 4m
  - A PEM containerized electrolyser system from LanzaJet. Value approx. EUR 3m
  - Fueling equipment from a European client. Value approx. EUR 8m
- Investment decision for the second 500 MW production line at Herøya made

## Subsequent events

- Received app. NOK 600 million contract from Woodside Energy for stacks, balance of stacks, and engineering
- Received app. USD 6 million funding from US Department of Defence for accelerating advanced PEM electrolyser stack development

# Financial highlights

| NOK million                             | Q3 2022 | Q3 2021 | YTD 2022 | YTD 2021 | 2021   |
|---|---------|---------|----------|----------|--------|
| Operating revenue                       | 183     | 229     | 579      | 550      | 798    |
| Total operating expenses                | 443     | 368     | 1 267    | 936      | 1 381  |
| EBITDA                                  | -214    | -113    | -563     | -308     | -475   |
| EBIT                                    | -260    | -139    | -688     | -386     | -583   |
| Pre-tax income (loss)*                  | -262    | -509    | -456     | -1 403   | -1 684 |
| Net income (loss)*                      | -260    | -507    | -450     | -1 397   | -1 667 |
| Net cash flow from operating activities | -118    | -116    | -497     | -348     | -449   |
| Cash balance at end of period           | 3 520   | 2 930   | 3 520    | 2 930    | 2 723  |



# Segment Financials

| Electrolyser division<br>(NOK million) | Q3<br>2022 | Q3<br>2021 | Change | YTD<br>2022 | YTD<br>2021 | Change |
|--|------------|------------|--------|-------------|-------------|--------|
| Revenue and operating income           | 148        | 148        | 1%     | 437         | 289         | 51%    |
| Operating expenses                     | 265        | 208        | 27%    | 736         | 474         | 55%    |
| EBITDA                                 | -94        | -46        |        | -237        | -139        |        |
| Order intake                           | 680        | 96         | 608%   | 1 077       | 425         | 153%   |
| Order backlog                          | 1 680      | 773        | 117%   |             |             |        |

- Mixed revenue picture in Alkaline and PEM
  - Significant revenue increase in Alkaline vs. Q3 last year
  - Revenue decline in PEM amid large delivery to Iberdrola in Q3'21 and supply chain issues that delay revenue recognition despite record high sales on smaller systems
- Current profitability negatively impacted by low-margin contracts signed in 2020/2021, project execution, inflationary pressure on non-hedged components, and increased personnel expenses to prepare for large-scale projects
- Revenues and margins expected to improve when recently signed contracts reach revenue recognition in 2023/2024

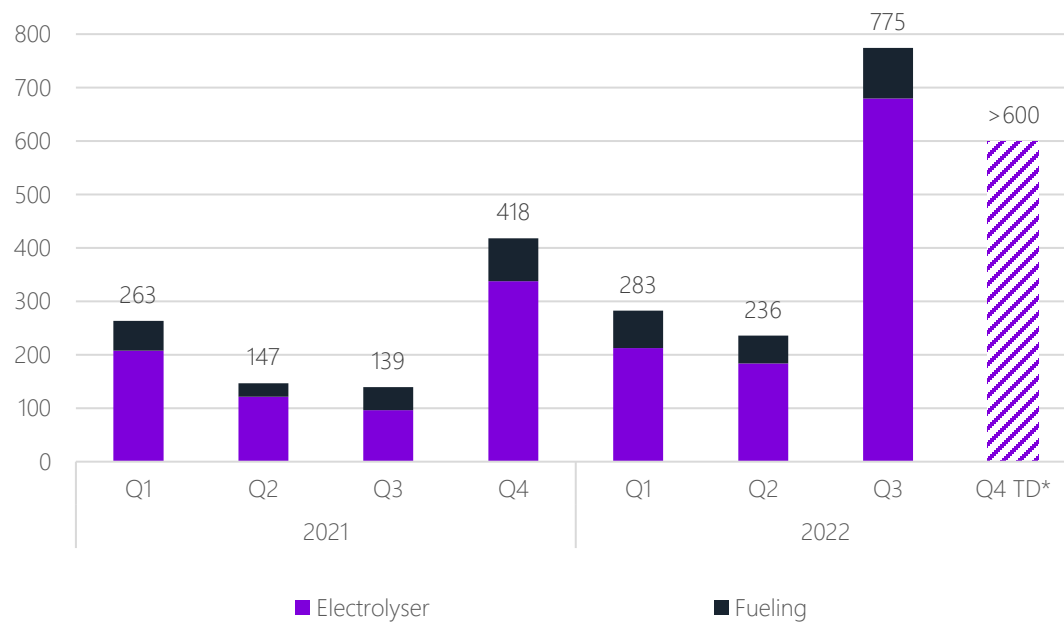
| Fueling division<br>(NOK million) | Q3<br>2022 | Q3<br>2021 | Change | YTD<br>2022 | YTD<br>2021 | Change |
|-----------------------------------|------------|------------|--------|-------------|-------------|--------|
| Revenue and operating income      | 35         | 82         | -57%   | 143         | 261         | -45%   |
| Operating expenses                | 127        | 134        | -5%    | 414         | 394         | 5%     |
| EBITDA                            | -93        | -42        |        | -236        | -105        |        |
| Order intake                      | 95         | 43         | 120%   | 217         | 124         | 74%    |
| Order backlog                     | 423        | 240        | 76%    |             |             |        |

- Revenues hampered by weak order intake in previous quarters plus supply chain issues delaying revenue recognition
- Fueling continues to contribute negatively to overall results due to high quality costs as utilization of stations increases and higher personnel expenses
- Nel is dissatisfied with the profitability in its Fueling division and is intensifying actions to improve performance and profitability

# Order intake and backlog

## Order intake

NOK million

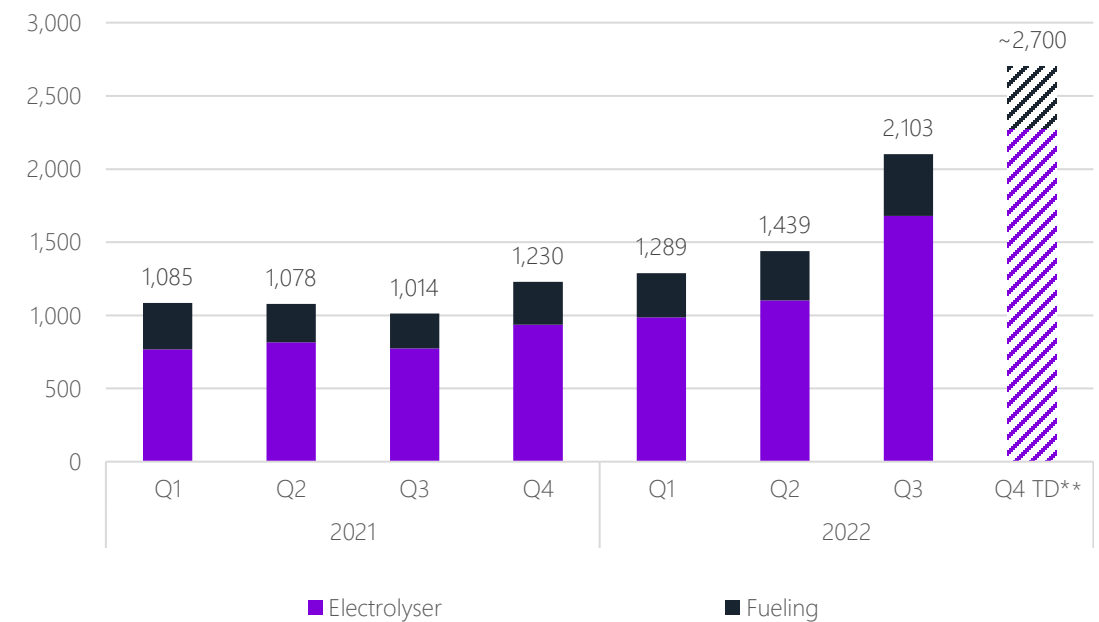


Order intake in Q3 2022: NOK 775 million (up 456% y/y)  
 - Electrolyser order intake: NOK 680 million (up 608% y/y)  
 - Fueling order intake: NOK 95 million (up 120% y/y)

Order intake expected to vary between quarters as order size increases

## Order backlog

NOK million



Order backlog as of Q3 2022: NOK 2,103 million (up 107% y/y)  
 - Electrolyser backlog: NOK 1,680 million (up 117% y/y)  
 - Fueling backlog: NOK 423 million (up 76% y/y)

Order backlog will continue to grow following recent development

### 3. Political events

# IPCEI second wave likely to accelerate project FIDs in Europe

- The Important Projects of Common European Interests will likely have substantial effects on project FIDs
- For the second wave, Nel is involved in several of the projects, though with substantial commercial uncertainties
- Expected timing on FIDs varies from project to project
- Still awaiting clarification for key regulatory framework conditions
  - Definition for renewable hydrogen is key for project developers
  - Expect renewable energy directive to be finalized by year end 2022



# Inflation Reduction Act has a direct positive impact on Nel

- Nel's two largest orders both US based
- Nel is well positioned for a number of solid, high-quality projects with manageable risk profile
- Site selection process for a 4 GW location in the US continues. Expected to be concluded in 1H 2023
- US likely to become a global hydrogen hub, and as such could become the company's second home

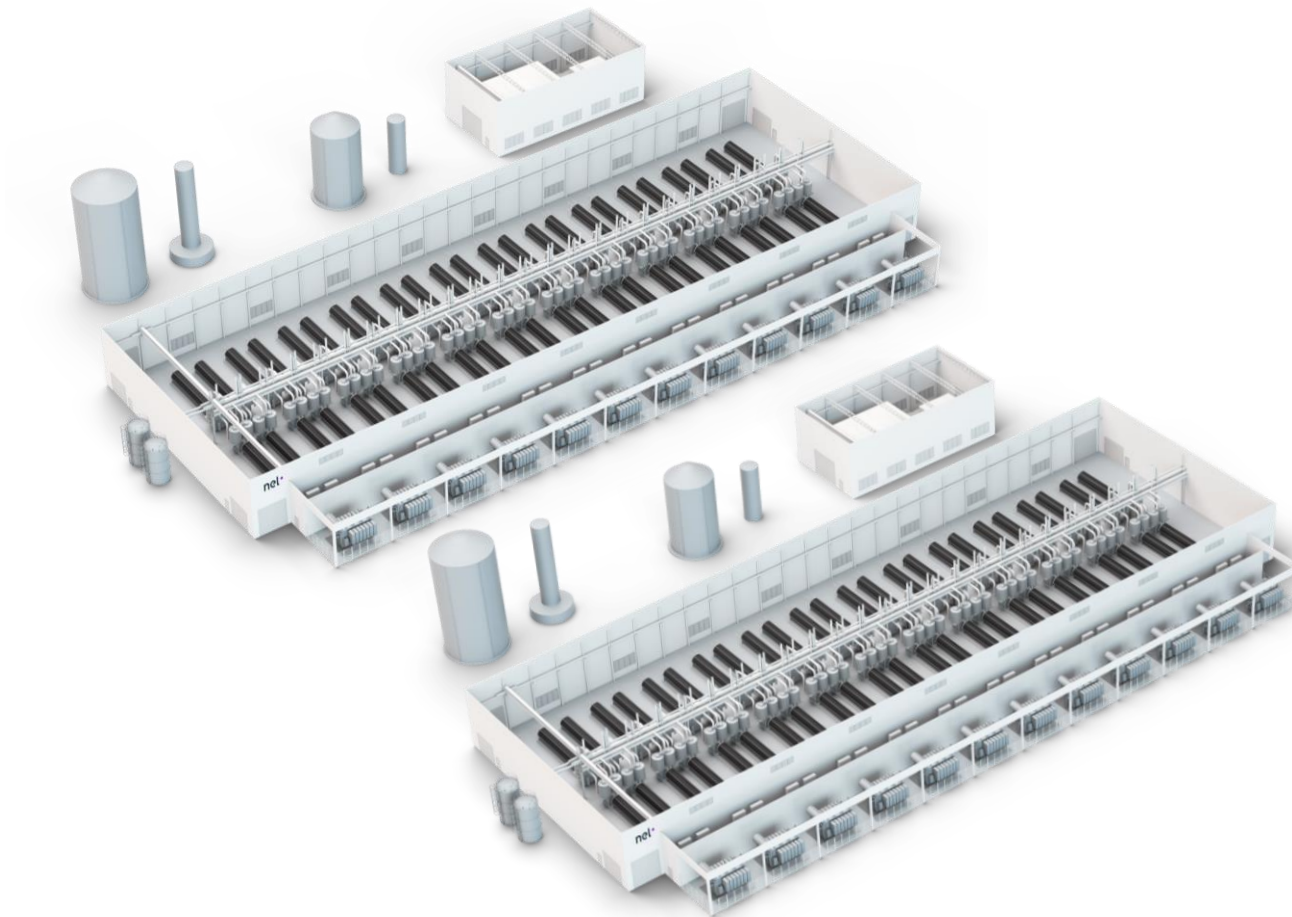


"With the passage of the Inflation Reduction Act, the drive to accelerate the energy transition in the US is underway"

Shaun Gregory, EVP, Woodside New Energy

## 4. Commercial developments

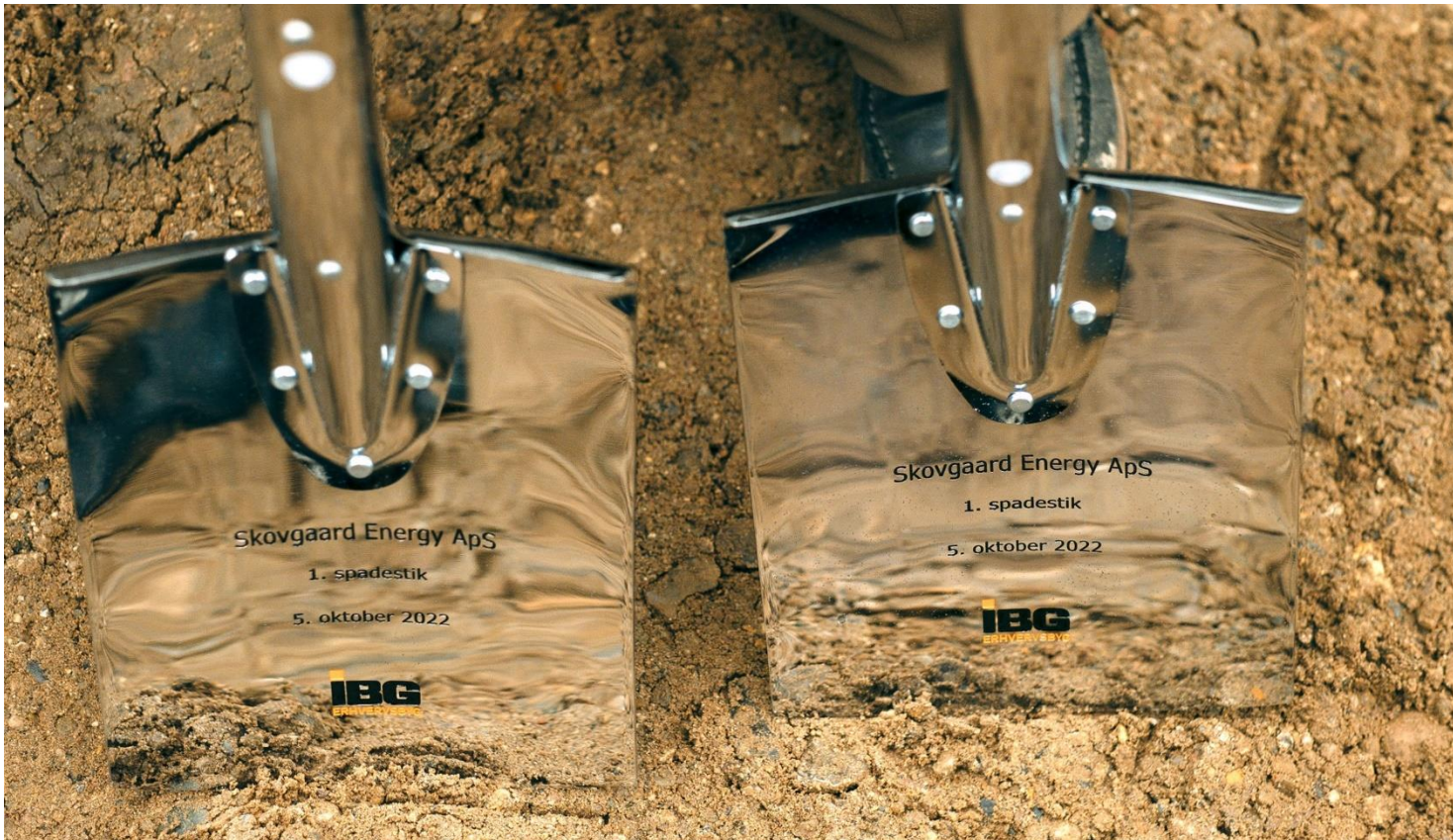
## Record size purchase order received in Q3 - the start of Nel's large-scale era



- Client: Undisclosed, USA
- Delivery: Mid-24
- Value: EUR 45 million
- Purchase order includes 200MW of alkaline electrode stacks
- The client has secured a 20-year green power purchase agreement and a 20-year offtake agreement for 100% of the product
- Nel was chosen based on maturity of technology and installed production capacity
- The project will have a considerable positive effect on the organisation



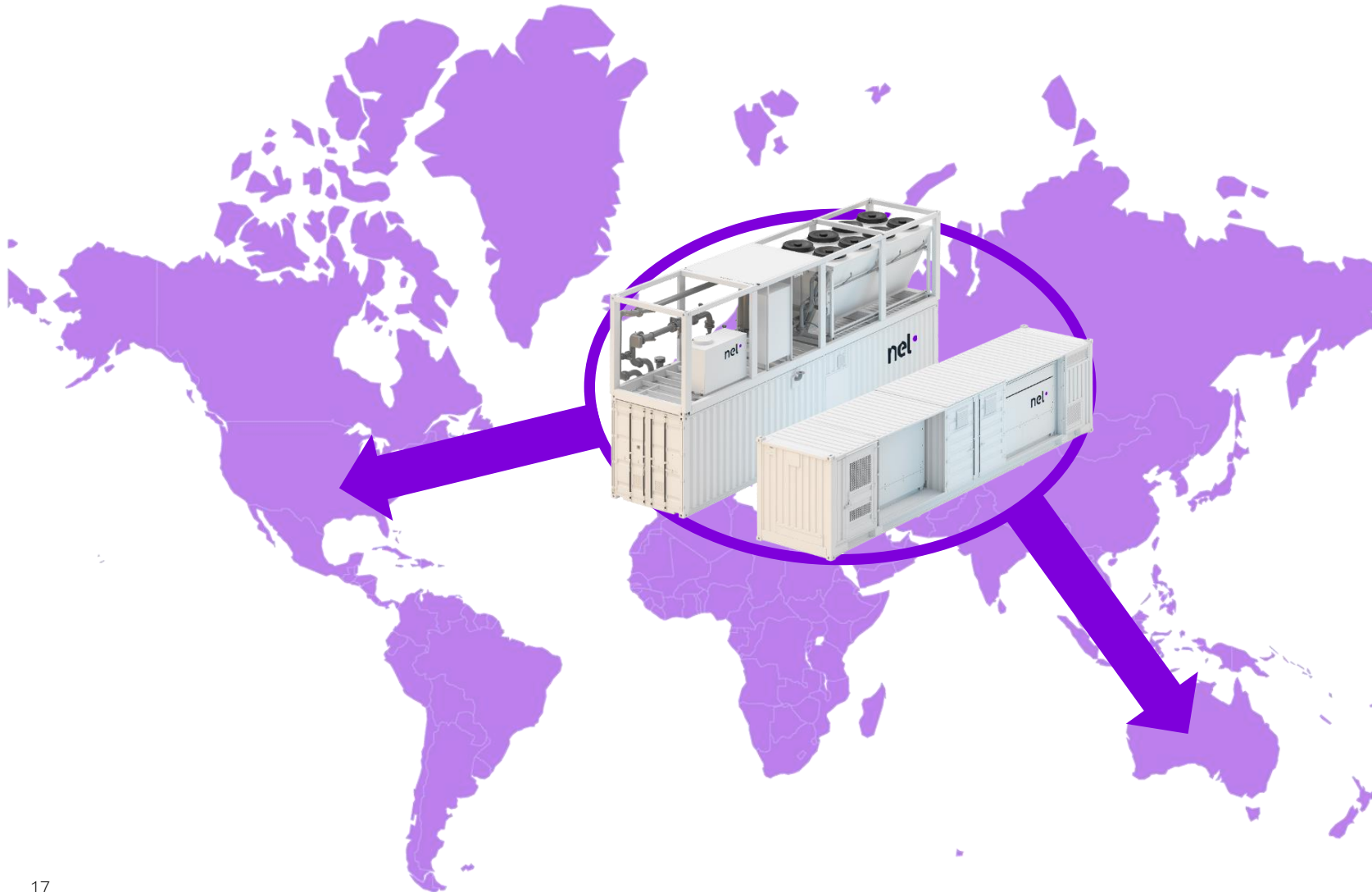
# Purchase order for electrolyser equipment to the world's first dynamic green ammonia plant



- Client: Skovgaard Energy
- Delivery: Q3-2023
- Value: EUR 4 million
- The project in Denmark will be the world's first dynamic green ammonia plant where renewable electricity from wind and solar connected directly to the electrolyser
- This is a demo plant that will test how an ammonia reactor can fluctuate operations based on renewable power input



## Two containerized systems sold in Q3, one in US and one in Australia



- Client 1: Viva Energy
- Delivery: Q3-2023
- Value: EUR 4 million
- Project will supply fuel cell grade hydrogen directly on site to the dedicated fueling station
- Client 2: LanzaJet
- Delivery: Q3-2023
- Value: USD 3 million
- Electrolyser to be installed at the world's first commercial "Alcohol-to-Jet" production plant for sustainable aviation fuel (SAF)

## Purchase order for several fueling stations



- Client: Undisclosed
- Delivery: Early 2023
- Value: EUR 8 million
- The contract is a firm purchase order from an undisclosed European client for the delivery of several H2Station™ units for fueling of light- and heavy-duty fuel cell electric vehicles
- The contract includes service and maintenance

## Receives Funding for accelerating advanced PEM electrolyser stack development



- Funding from: US DoD, ERDC- CERL
- Project duration: 19 months
- Amount: USD 5.6 million
- Aim to accelerate PEM electrolyser development to reduce operating and capital costs
- Activities include:
  - Development of membranes
  - High volume manufacturing and recycling methods
  - Reduction of precious metals
  - Cell stack integration and testing at ERDC-CERL



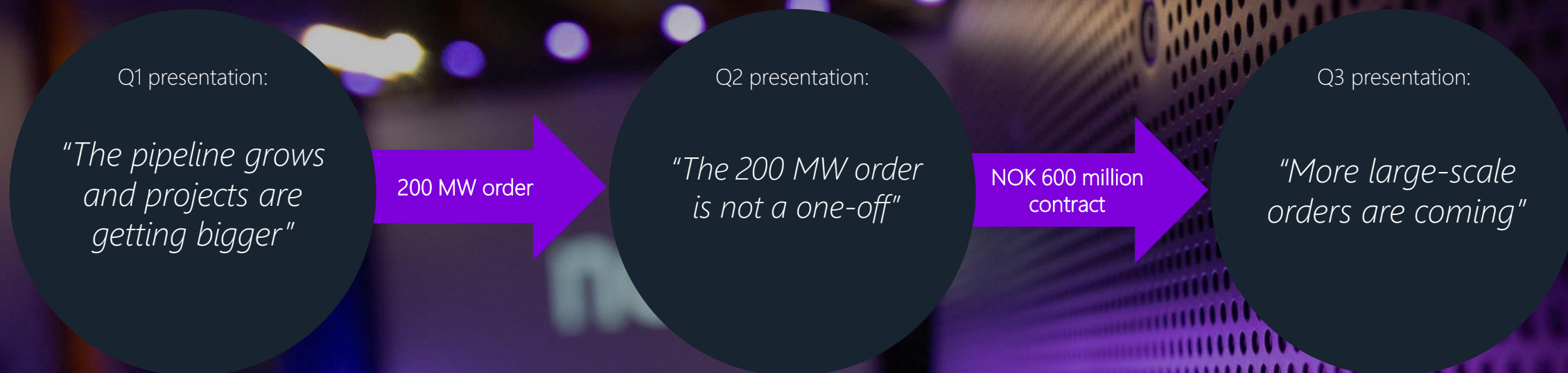
# Woodside Energy H2OK project, Nel's largest contract so far



- Client: Woodside Energy
- Delivery: 2024
- Value: NOK 600 million
- Liquid hydrogen production in Oklahoma for major transport companies
- Contract includes stack, BoS, and engineering
- Will have a substantial positive financial impact

## 5. Summary and outlook

# We deliver on our promises







## SUMMARY AND OUTLOOK

# More large-scale orders are coming

### Very positive market outlook:

- Nel's pipeline continues to improve and mature
- Customers concerned about near-term industry supply
- Nel continues to secure high quality, large-scale orders with attractive margins
- Order intake expected to vary between quarters as order size increases

### Reiterating the pursuit of projects where Nel has:

- A suitable technology offering
- High quality counterparties with high probability of reaching FID
- A high probability to win
- Attractive margins and acceptable risk profile

# Increased threshold for what is regarded as insider information

- The threshold for what is seen as insider information, and thus must be disclosed to the market, has been increased from about EUR 2 million to about EUR 5 million
- Nel's equity story is all about larger projects that provide visibility on future earnings/market share and confirm that large-scale projects are real
- Nel has also stated that the company strategy is to move towards large-scale projects, and as such smaller contract wins are no longer as relevant as they were historically
- By increasing the threshold, the communication from the company will be better aligned with what the investor community finds material for the Nel share



# Nel is uniquely positioned to capitalize on increasing market demand

## Unrivalled track record

- Decades of experience
- Largest installed base
- Proven technology with performance guarantees

## Technology leadership

- Broad product portfolio
- High system efficiency and durability/lifetime
- World-class safety

## Cost and scale leadership

- Front-runner in cost reduction
- Market leading production capabilities
- Strong financing



number one by nature