

# Q2 2018

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## Forward-looking information

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- **Q2 highlights**
- **Nel in brief & segment updates**
  - Nel Hydrogen Fueling
  - Nel Hydrogen Solutions
  - Nel Hydrogen Electrolyser
- **Nikola**
- **Plant expansion at Notodden**
- **Summary/Outlook**

## Financial results and financing

- Revenues of NOK 135.8 million in Q2'18, up from NOK 39.1 million in Q2'17, mainly following the acquisition of Proton Energy Systems Inc. (Proton OnSite) as per 30 June 2017
  - Growth in Q2'18 of 52% on a like-for-like proforma basis, incl. Proton OnSite
  - Underlying organic growth in Q2'18 of 61%, excl. Proton OnSite
- Order backlog of approximately NOK 388 million, exclusive any commercial station orders from Nikola
- Successfully completed a private placement and secondary sale, raising approximately NOK 281 million in gross proceeds
- Cash-balance of NOK 478 million (Q2 2017: NOK 201 million)

## Operations and sales

- Received a USD 5.5 million additional purchase order from Nikola followed by a multi-billion NOK contract for delivery of 448 electrolyzers and associated fueling equipment
- Nel's H2Station® achieved the world's first UL certification of a hydrogen fuel dispensing system station
- Received EUR 2 million purchase order for H2Station® solution in South Korea and took full ownership of joint venture Nel-Deokyang Co. Ltd, renaming it Nel Korea Co. Ltd.
- Halted further work on agreement with H2V PRODUCT after H2V made limited progress and was unable to secure project financing
- After quarter end, received additional H2Station® orders from Germany and Norway

(NOK million)	2018 Q2 Adj*	2018 Q2	2017 Q2	2017	2016
Operating revenue	135.8	135.8	39.1	298.4	114.5
Total operating costs	173.0	173.0	63.9	415.6	169.8
EBITDA	-8.8	-20.6	-22.0	-81.2	-44.9
EBIT	-25.5	-37.2	-24.7	-117.2	-55.3
Pre-tax loss	-29.9	-41.5	-27.0	-124.4	-62.6
Net loss	-27.1	-38.8	-27.0	-52.4	-55.8
Net cash flow from operating activities	-22.6	-22.6	37.3	-113.0	-34.2
Cash balance at end of period**	478.8	478.8	201.2	295.0	225.5

**\* EBITDA negatively impacted in Q2 18:**

- Ramp-up costs and non-recurring items of NOK 8.5 million
- Business development Asia, legal cost, establishing a service organization for Fueling in the US and exploring new markets
- Non-cash share option costs of NOK 3.2 million

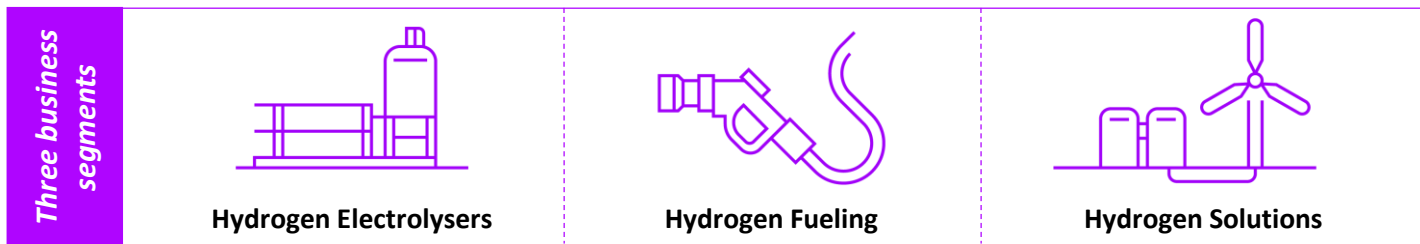
## Successful private placement and secondary sale

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- Raised NOK 281 million in gross proceeds through a private placement of 90,000,000 new shares at NOK 3.12 per share
- F9 Investments LLC sold 50,000,000 existing shares in the company at NOK 3.12 per share
- Net proceeds to be used to:
  - Accommodate Nikola order
  - Fund potential expansion of production facility at Notodden, estimated to cost ~ NOK 150 million
  - Potential investment in Nikola
  - Additional working capital in response to increased order volumes and high market activity
- Subsequent repair offering of 15,000,000 shares at NOK 3.12 to be offered to shareholders as of 28 June 2018
  - Expect to launch transaction in 1<sup>st</sup> half of September, as soon as prospectus is approved

# Nel in brief & segment updates

- Global, listed pure-play hydrogen company – facilities in Norway, Denmark and the U.S.
  - Significant foothold in fast-growing markets with several breakthrough contracts
- World-leading on hydrogen electrolyzers and fueling equipment – unrivalled performance and track-record
  - >3,500 hydrogen solutions delivered in ~80 countries world wide since 1927
  - ~40 hydrogen fueling stations delivered to 9 countries, and delivering to South Korea in 2019
- Capable of delivering solutions to produce, store and distribute hydrogen from renewable energy





# Achieved world's first UL certification for hydrogen fueling station product

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Nel in brief & segment updates

## FACTORY certified H2Station®, approved by UL

- Sets new industrial norm and benchmark for safety level and legal compliance for hydrogen fueling stations
- Enables faster and more streamlined installation and permitting processes in the U.S., thereby reducing installation time and risk
- Underlines Nel's commitment to enable widespread and cost-effective deployment of hydrogen as a fuel for transportation
- Result of substantial R&D efforts, high-volume, lean manufacturing, and achievement of higher levels of safety and product quality



# Received purchase order in Korea, assumed full ownership of joint venture

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Nel in brief & segment updates

## Enables Nel to extend and accelerate activities and sales in the region

- Nel-Deokyang Co., Ltd. received EUR 2 million purchase order for a H2Station® hydrogen fueling solution
  - Purchase order marks first installation in Korea and first compact fueling station solution to follow new gas law and local standards
  - Installation to commence in 2019
- Nel subsequently assumed full ownership of Nel-Deokyang, making it a fully-owned subsidiary of Nel and renaming it Nel Korea Co., Ltd.
- South Korean government has announced the establishment of a Special Purpose Company (SPC) for expanding the country's hydrogen infrastructure
  - Goal of installing hydrogen fueling stations along most travelled roads and highways and in Seoul and other major cities



*Members of South Korean Government and the Ministry of Trade, Industry and Energy having signed agreement to build hydrogen fueling stations*

## Subsequent event: Received purchase order for two additional H2Stations in Norway

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Nel in brief & segment updates

- Nel Hydrogen Solutions awarded EUR 2 million contract by Uno-X Hydrogen AS to build next two H2Station® hydrogen fueling stations in Norway
  - To be located in Hvam and Ski, Akershus
- Will help increase the value of the total network, with existing stations in Akershus and Bergen
- Delivery expected in first and second quarter of 2019
- Uno-X Hydrogen, a joint venture between Uno-X, Praxair and Nel, aims at building a network of hydrogen fueling stations covering major cities in Norway by 2020



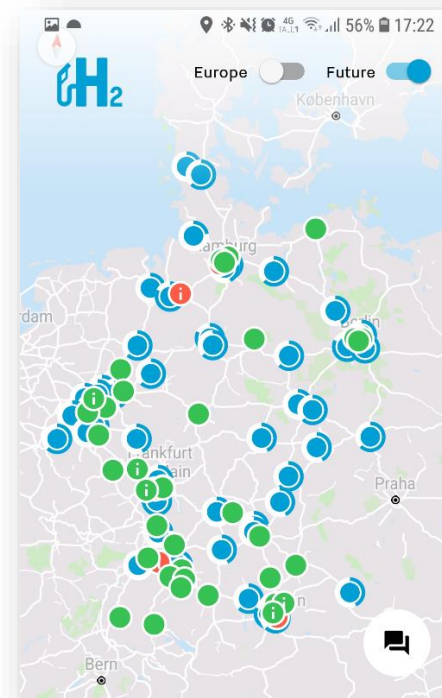
*Uno-X Hydrogen fueling station at Kjørbo, Norway  
Onsite hydrogen production from solar power*

# Subsequent event: Received purchase order for two additional H2Stations in Germany

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Nel in brief & segment updates

- Nel Hydrogen Solutions awarded EUR 2 million contract by H2 Mobility to build two H2Station® hydrogen fueling stations in Germany
- Part of largest hydrogen infrastructure project in Europe
- Delivery expected medio 2019
- The action plan for H2 Mobility is to establish a Germany-wide network with close to 50 stations in operation by end 2018 and about 50 additional to be deployed by 2020



Screen-shot from H2.Live app. showing current and future hydrogen fueling stations in Germany

# Nel electrolyzer powers first hydrogen vessel to travel around the world

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Nel in brief & segment updates

## The Energy Observer: 6 years, 50 countries and 101 ports of call

- First vessel powered entirely by a mix of clean hydrogen and renewable energies to embark on trip around the world
  - Powered by a Nel PROTON PEM electrolyzer
- First vessel in the world able to produce its own hydrogen onboard
  - From sea water, without greenhouse gas and particles emissions, thanks to a mix of renewable energies
- Aims to demonstrate advantages of hydrogen, incl. efficiency and performance of a complete hydrogen chain in hostile marine environment
  - Will validate applications to allow a range of other developments



# The transformational Nikola partnership

# Additional USD 5.5 million purchase order from Nikola

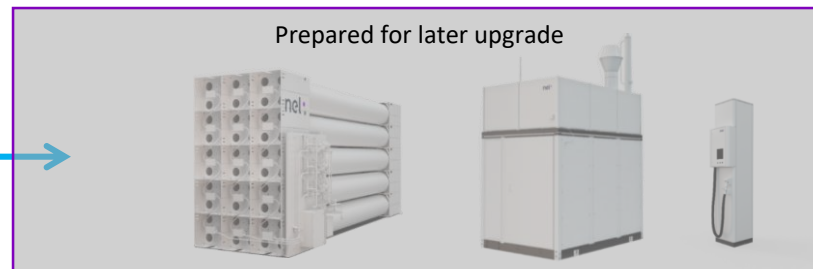
Nel ASA Q2 2018

## The transformational Nikola partnership

- Two DEMO stations to support Nikola test-fleet of trucks
  - Additional purchase order of USD 5.5 million brings total value for demo stations to USD >9 million
- Delivery in the second half of 2018 and into 2019
- Equipment for onsite production and fueling of 70MPa
  - 2 alkaline electrolyzer stacks for hydrogen production – 2 x 1,000kg/day
  - 2 x 70MPa dispensers and 2xH2Station® – 2 x 500 kg/day
- Possibility to upgrade fueling capacity later



A-485 Electrolyser – 1.000kg/day



Hydrogen storage, compression and dispensing

# Awarded multi—billion NOK electrolyzer and fueling station contract by Nikola

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The transformational Nikola partnership

## Contract for delivery of up to 448 electrolyzers / 1 GW of electrolysis

- Contract awarded as part of Nikola's development of a hydrogen station infrastructure in the U.S.
- Multi-billion NOK electrolyzer and fueling station contract, to be deployed from 2020 – by far the largest electrolyzer contract ever awarded
- The contract includes an initial order for an engineering package of around USD 1.5 million
- Electrolyzer stacks to be manufactured in Norway, fueling equipment in Denmark - supporting components, including frames, pipes and vessels to be sourced locally in the U.S.





# Nikola Motors has received nearly \$11 billion in pre-orders

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The transformational Nikola partnership

## Received pre-order from Anheuser-Busch (AB) and raised capital

- AB targets to convert its entire long-haul fleet to renewable powered trucks by 2025
- AB has placed an order of up to 800 Nikola trucks, expected to be integrated into AB's fleet starting from 2020
- Nikola raised USD 100 million in August 2018
  - Pre-money valuation of USD 1.1 billion
  - Expecting to raise another USD 100++ million in same funding round



# Construction of mega-factory

# Constructing the world's largest electrolyzer manufacturing plant

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Construction of mega-factory

## Name plate capacity of 360 MW per year, more than 10x current annual production

- Highly automated and designed according to lean manufacturing principles
- Industrial scale electrode production of the markets most efficient electrolyzes at a game changing cost
- Accommodating the NOK multi-billion order from Nikola
- Manufacturing plant will be constructed as an extension of the current facility at Notodden, Norway
- Total planned investments of around NOK ~150 million



*A high degree of automation is planned for the new facility*

# Game-changer for large-scale electrolyzer cell stack production

Nel ASA Q2 2018

Construction of mega-factory

## Aiming at system cost reduction of more than 40%

- Phase 1 expansion from 25 MW/year to ~40 MW/year completed
  - Debottlenecking and optimizing the existing plant
- Total production capacity at Notodden will be up to 360 MW worth of electrolyzers or ~160 units of A485 per year
- Expansion project to be initiated in 2H'18
- Operational in 1H'20 with ramp-up aligned to customer requirements
- 30 - 40 new employees – includes all organizational functions



# Highly automated and designed according to lean manufacturing principles

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## Construction of mega-factory



- Plant layout has been designed to accommodate lean principles
- Based upon a “built in quality” philosophy with high degree of automation and process control
- Improved manufacturing standard will also support supplier collaboration and development
- New plant will be integrated with existing production facility on both infrastructure and material flow

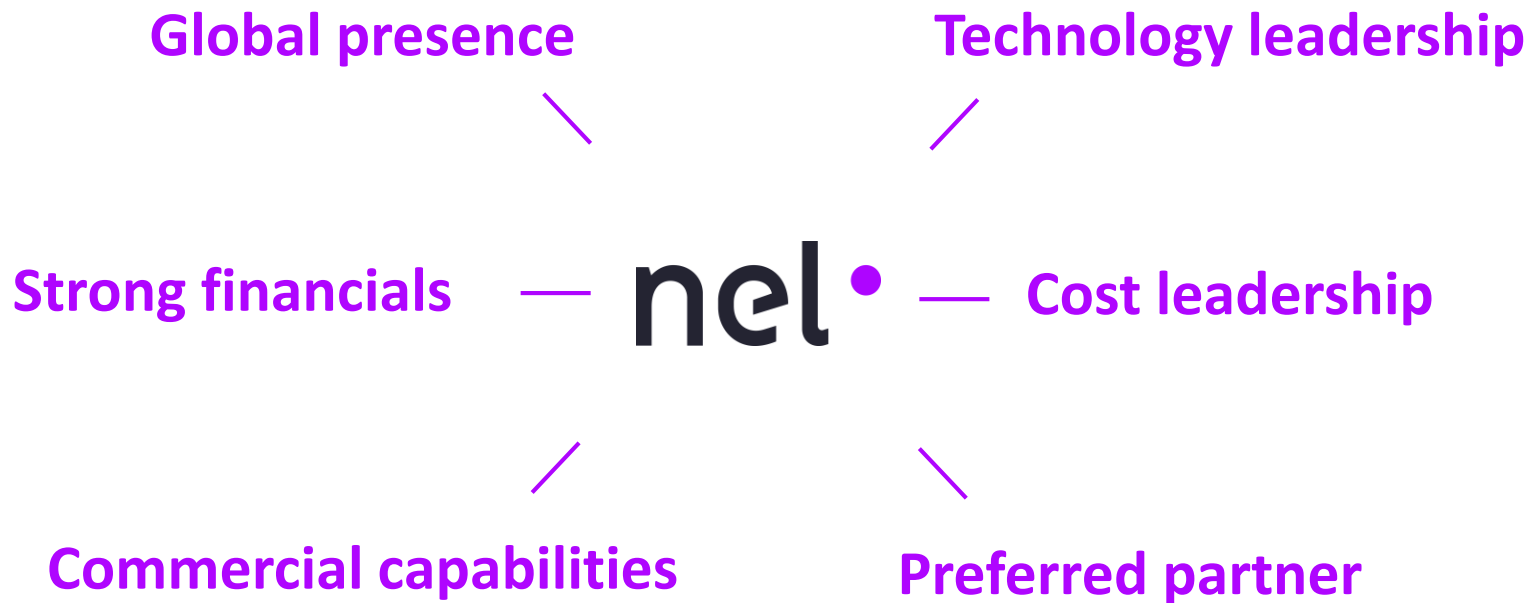
## Cost efficient alternative to natural gas reforming

- Electrolysis has for several decades been a niche solution, but will now become an attractive and renewable alternative to steam methane reforming of natural gas (SMR)
- The largest hydrogen consumers today (ammonia, methanol, refineries) are already evaluating changing from SMR to electrolysis
  - Replacement market alone represents a potential market opportunity of ~20 BUSD/year
- The Notodden plant will deliver the most efficient electrolyzers at a game changing cost, and with shorter lead time
- Expansion will support the ambitions of Nikola as well as other customers who want to make a significant change to their business model



*8-cluster electrolyzer solution, produces 8 tons of hydrogen per day*

# Summary/Outlook





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- Following the July private placement, the company is well funded to support current business plan and ongoing expansion activities
  - Initiated factory expansion at Notodden to support deliveries to Nikola and other customers
    - Ongoing growth initiatives and US legal costs will have a negative impact on the company's ability to deliver a positive EBITDA in the short-term
  - Continued activities to build up Nel in South Korea in response to positive market developments - working to establish new office in Gangnam, Seoul
  - In addition to agent agreement in China, Nel has newly established a sales-office in Shanghai
    - Additionally, Nel continues to explore further market penetration strategies in China
  - Official opening of the new Herning factory scheduled for 21 September

Number one by nature