

# Third quarter 2024 results presentation

16 October 2024

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# Agenda

1. Nel in brief
2. Q3 2024 highlights
3. Political update
4. Commercial update
5. Technology update
6. Summary and outlook
7. Q&A



# A fully dedicated electrolyser technology company



Listed on the Oslo Stock Exchange (NEL.OSE) since 2014



Leading pure-play electrolyser manufacturer with >3 500 units delivered to more than 80 countries since 1927



1GW of ALK manufacturing capacity (Norway)  
500MW of PEM manufacturing capacity (USA)



~430 employees



Investing heavily in R&D to develop next-generation alkaline and PEM technologies



Global sales network and offices



Preferred partner with industry leaders



NOK ~2 billion in cash reserves

# Nel's value proposition

## Unrivalled track record

- Decades of experience
- Large installed base

## Technology leadership

- Multiple technology platforms (AWE+PEM)
- Guaranteed and proven performance
- Game-changing next-generation solutions

## Cost and scale leadership

- Front-runner in cost reductions
- Market leading production capabilities



## 2. Q3 2024 highlights

Q3 2024

# Quarterly highlights

Financial results and financing  
(from continuing operations)

Revenue

**NOK 366 million**

EBITDA

**NOK -90 million**

Order intake

**NOK 161 million**

Order backlog

**NOK 1 872 million**

Cash balance

**NOK 1 941 million**

Key announcements in Q3 2024

- Follow-on equipment order of more than EUR 7 million for a European project
- Cancellation of Hy Stor Energy's capacity reservation agreement

Subsequent announcements

- Launch of Saipem's 100 MW turnkey hydrogen solution based on Nel's technology

Q3 2024

# Group Financials

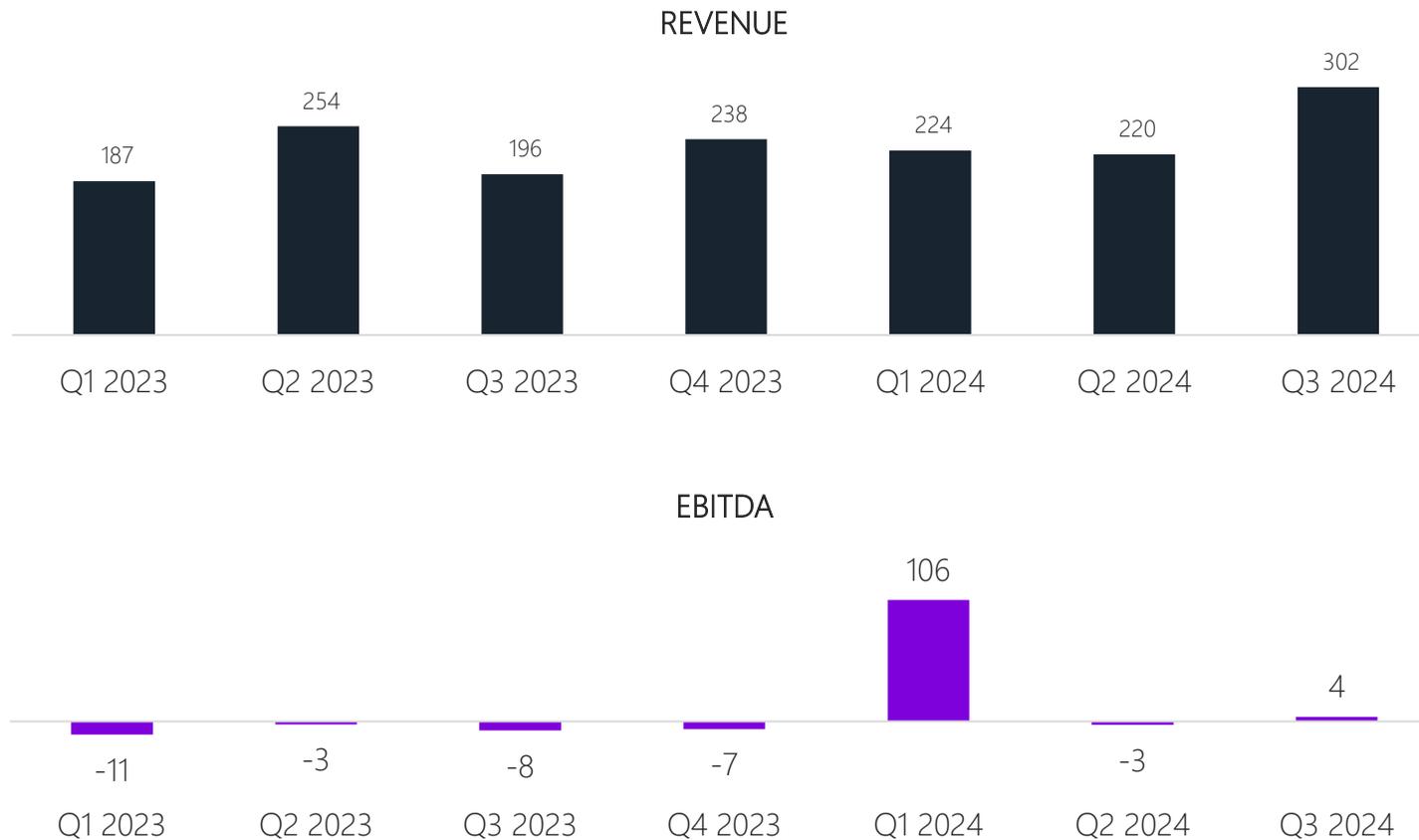
(continuing operations)

(NOK million)	Q3 2024	Q3 2023 (restated)	YTD 2024	YTD 2023 (restated)
Revenue from contracts with customers	366	303	974	938
EBITDA	-90	-62	-137	-194
<i>EBITDA margin*</i>	-24%	-20%	-14%	-21%
EBIT	-146	-104	-284	-321
Pre-tax income (loss)	-116	-169	-199	-522
Net income (loss)	-115	-167	-194	-516
Net cash flow from operating activities	-47	-136	-108	-363
Cash balance at end of period	1 941	3 799		

- Revenues positively impacted by increased deliveries of Alkaline electrolyser equipment
- EBITDA down y/y due to low revenues and weaker results from the PEM division
- Solid cash position with no need to raise additional equity given lower CAPEX from 2025
- Utilization of production capacity and staffing will be adjusted to market demand

# Alkaline Electrolyser financials

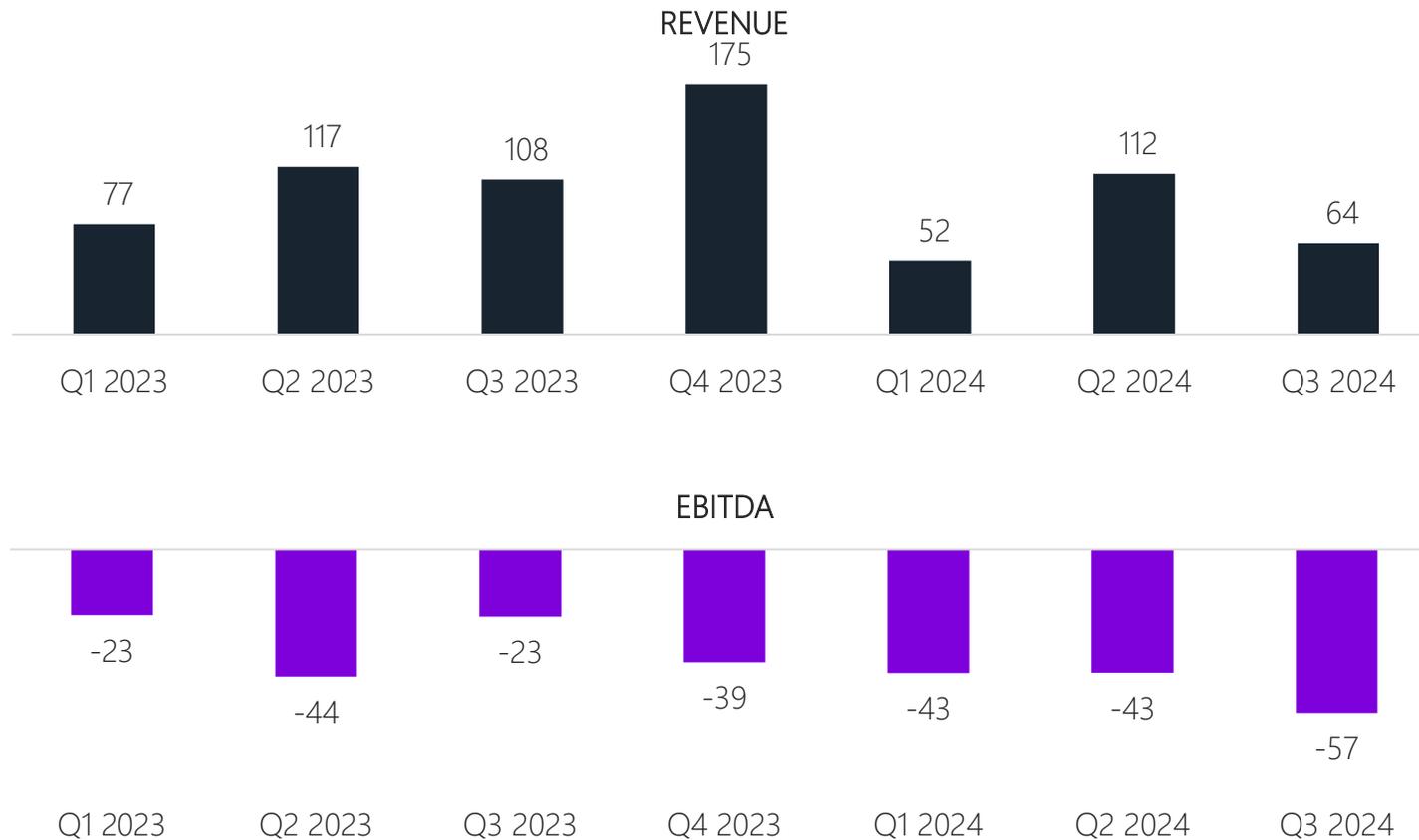
## Alkaline Electrolyser Revenue and EBITDA (NOK million)



- Solid revenue growth from the Alkaline segment, up 37% q/q and 54% y/y
- Positive underlying quarterly EBITDA driven by higher volume and partly offset by higher fixed costs
- Business model proven with clear scale effects in quarters with good capacity utilization
- Completion of line 2 at Herøya in 2024 enables order intake and revenue growth
- Lower CAPEX from 2025

# PEM Electrolyser financials

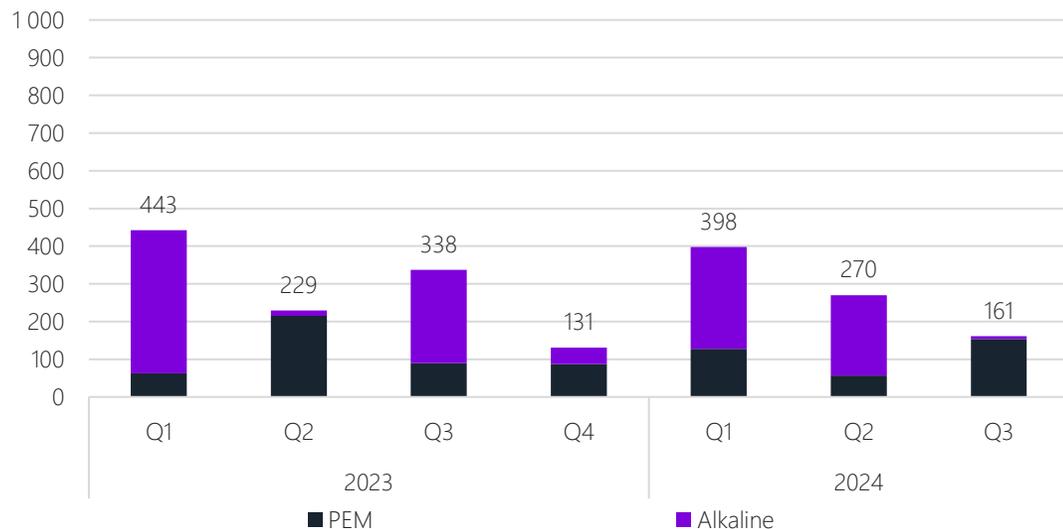
PEM Electrolyser Revenue and EBITDA  
(NOK million)



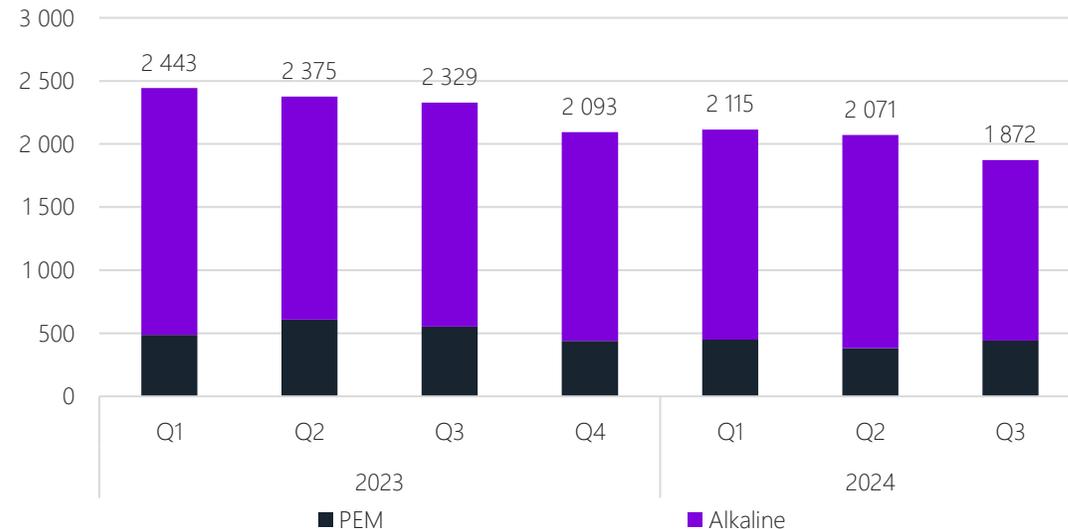
- 40% decrease in revenue y/y due to timing of project revenues and low shipments of small kW-units
- EBITDA down q/q and y/y due to low revenues and hence low cost absorption
- Completion of the 500 MW PEM production line will allow for growth in order intake and revenues for larger systems
- Expect to see the same scaling effect as with Alkaline, where higher volume will substantially improve results
- Lower CAPEX from 2025

# Order intake and backlog

## Order intake (NOK million)



## Order backlog (NOK million)



<b>Order intake Q3 2024:</b>	NOK	161 million	-52%	y/y
- Alkaline	NOK	7 million	-97%	y/y
- PEM	NOK	154 million	+71%	y/y

*Order intake expected to vary between quarters as order sizes have increased*

<b>Order backlog Q3 2024:</b>	NOK	1 872 million	-20%	y/y
- Alkaline	NOK	1 431 million	-19%	y/y
- PEM	NOK	441 million	-20%	y/y

*The order backlog is subject to risks such as delays and/or cancellations*

### 3. Political update

# EU Hydrogen Bank 2<sup>nd</sup> auction: Significant steps taken towards a level playing field

- Mandatory non-price criteria now included - projects must limit the sourcing of electrolyser stacks from China to not more than 25%
- With the new terms and conditions, the EU takes significant steps towards a level playing field for electrolyser OEMs
- Winners of the auction can utilize both Nel's technology platforms (alkaline and PEM) in their projects
- Total auction budget of €1.2bn for production of green hydrogen (+derivatives) within EU/EEA
- Auction opens in Dec'24 and closes in Feb'25



# Examples of national programs and auctions in Europe

- **UK:** The government is currently assessing applications to award up to 875 MW of capacity through Hydrogen Allocation Round 2
- **The Netherlands:** Projects such as PosHydon have received grants from The National Enterprise Agency, RVO. Yesterday, RVO announced a new electrolyser subsidy scheme worth 1 bn Euro
- **Germany:** Funding through IPCEI has triggered Final Investment Decisions on several large-scale projects
- **Norway:** The government will significantly increase funding for zero-emission express ferries, heavy-duty vehicles, and related infrastructure through the state enterprise Enova

## US IRA section 45V: Expect finalized rules by the end of the year

- US Treasury proposed regulations on the 45V Clean Hydrogen Production Credit early 2024
- Now, after US Treasury received comments on the proposed rules, it is working to include appropriate adjustments and additional flexibilities to help grow the industry and move projects forward
- *"We intend to finalize rules for the section 45V Clean Hydrogen Production Credit by the end of the year"* stated Aviva Aron-Dine, Performing the Duties of Assistant Secretary for Tax Policy



## 4. Commercial update

## COMMERCIAL UPDATE

# Saipem presents solution for large-scale green hydrogen production, utilizing Nel's technology



- Saipem unveiled IVHY™ 100, a scalable and modular 100 MW green hydrogen solution leveraging Nel's technology
- Part of a wider collaboration where Saipem as an EPC builds complete plant solutions around Nel's alkaline and PEM electrolyzers
- The IVHY™ 100 makes installation of large-scale hydrogen plants easier and less expensive with guaranteed scale design
- Follows a replicable production approach to achieve capex/opex reductions

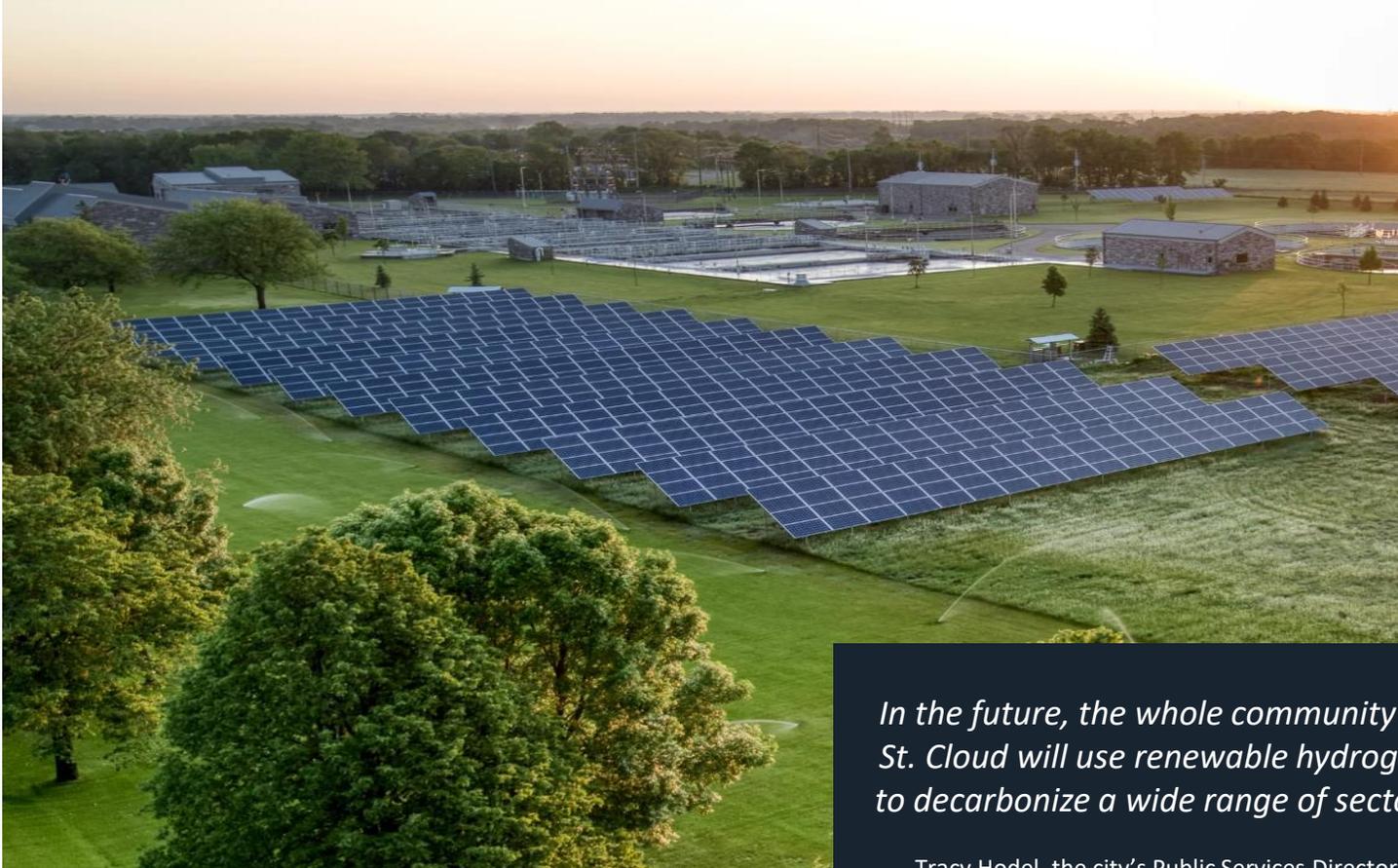
# PosHYdon: Real-life renewable offshore hydrogen production

- Nel's containerized PEM solution, an MC250, has been transported to Eni's Q13a-A offshore platform located 13km off the coast of The Netherlands for the PosHYdon project
- The system will undergo a rigorous test program to demonstrate its capability to produce hydrogen under varying electrical load conditions and transportation of hydrogen back to shore using existing gas infrastructure



## COMMERCIAL UPDATE

# The City of St. Cloud buys Nel electrolyser for wastewater treatment facility



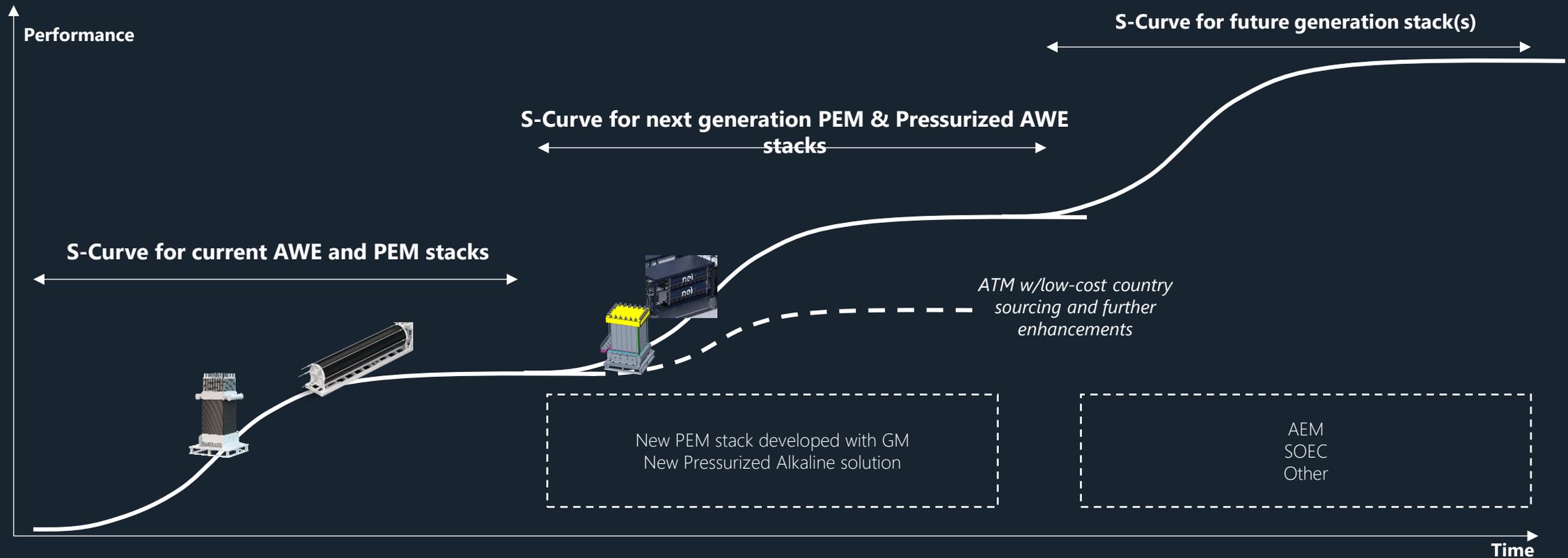
*In the future, the whole community of St. Cloud will use renewable hydrogen to decarbonize a wide range of sectors*

Tracy Hodel, the city's Public Services Director

- Client: City of St. Cloud
- Size: 1.25 MW
- Location: Minnesota, US
- Will produce renewable hydrogen from solar power and biogas generated by the treatment process
- The hydrogen can be used onsite for heating and power or stored when excess renewable energy is generated
- Will also look at capturing oxygen for the facility's aeration system

## 5. Technology update

# Nel's overall electrolyzer technology strategy



Continued cost reductions and efficiency improvements

Significant LCOH reductions on system level driven by new technology breakthroughs

Potentially disruptive technologies in certain market segments

# Nel's atmospheric alkaline solution keeps getting better

- ~2% lower power consumption from 2023 to 2024, another ~2% possible next year
- ~8% annual stack cost reductions in both 2023 and 2024
- Increasing maturity on system level for large scale installations
  - Significantly reduced pre-FEED and FEED expenses for clients
  - Bankable performance guarantees on system level through EPC partners
  - High potential for further BoP cost reductions



## TECHNOLOGY UPDATE

# Current PEM stack ready for mass production at 30% lower cost

- The new 500 MW PEM production line in Wallingford, CT, is soon completed
- With this production line Nel is positioned for large-scale projects for both PEM and Alkaline
- The production concept is developed in close collaboration with GM, and can be rolled out globally when demand picks up
- Process, design and sourcing advancements enable cost savings of ~30% on the stack



# Pressurized alkaline concept rapidly maturing

- Nel's approach is different to other pressurized solutions in the market
- Cell stack performance verified, internal prototype under construction to verify system performance:
  - Transformer and rectifier received
  - All long-lead components in house
  - Fabrication of all skids ongoing
  - Stack manufacturing in progress
- In dialogue with several potential customers about full-scale pilot



Gas process skid

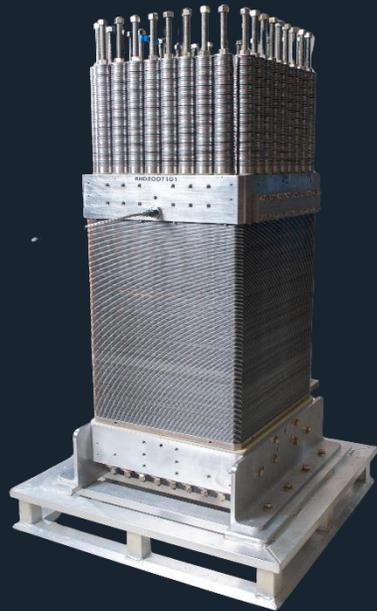


Pressurized Alkaline stack



# Next generation PEM solution developed in collaboration with GM already at mini-stack level

Current 1.25MW stack



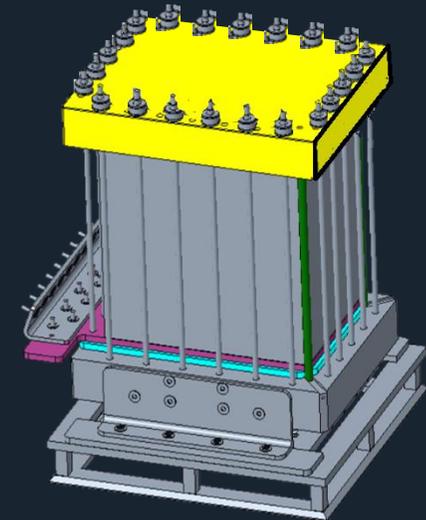
530 kg/day, 53 kWh/kg

Proof of concept mini-stack



- <  $\frac{1}{3}$  platinum group metal usage
- <  $\frac{1}{4}$  membrane thickness
- <  $\frac{1}{2}$  cell thickness

Future 3MW stack



>1200 kg/day, 47.5 kWh/kg

## 6. Summary and outlook

# Market perspective

- The market has been slow in recent quarters
  - Purchase orders have been pushed out in time as projects have become larger and more complex and developers make more thorough assessments
  - Lack of visibility on political processes and subsidy programs (initially aimed to accelerate renewable hydrogen uptake) have also caused delays
- However, the market is showing signs of recovery, and projects continue to mature toward FID
  - Clarity around EU and US regulations in combination with national hydrogen auctions will help demand
  - Many of Nel's target projects are expected to take FID in the next quarters
    - Top-20 alkaline targets have a total capacity need of >5 GW
    - Top-20 PEM prospects >1 GW



# Increased cash management focus

- Nel is well capitalized with NOK ~2bn of cash reserves, making it one of the best financed electrolyser OEMs
- There is no need to raise additional funding, in particular as CAPEX will come down by ~50% in 2025 due to prior expansion programs in Herøya and Wallingford
- However, Nel will put more emphasis on cash conservation and smart spending and align production output with real market demand
  - Only invest in the most important initiatives, predominantly next-generation technology development
  - Reduce inventory of parts and components as project lead times have increased
  - Adjust organization to align with current strategy and market demand

# Ready for market rebound

Improved current technologies and rapidly maturing next gen. solutions

World-class partners enable focus, growth and solid execution

Ready for high volume deliveries with limited further CAPEX

number one by nature