

# Nel ASA

## Company presentation September 2017

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# Transaction and trading update

# The contemplated transaction

Transaction and trading update

KEY TRANSACTION DETAILS		USE OF PROCEEDS
CONTEMPLATED TRANSACTION	<ul style="list-style-type: none"><li>• Private placement</li></ul>	<ul style="list-style-type: none"><li>• Additional working capital in response to increased order volumes and improved positioning to benefit from markets with high activity and growth momentum<ul style="list-style-type: none"><li>– Funding of working capital requirement in connection with the newly announced Sunline contract</li><li>– General working capital need in connection with expansion in new markets (China, Korea)</li><li>– Strengthening of working capital in Proton to execute on future potential<ul style="list-style-type: none"><li>• Negative liquidity impact partly adjusted by less consideration shares to seller in post closing adjustments</li></ul></li></ul></li><li>• Build-up of organization in connection with additional purchase orders from Royal Dutch Shell in California</li><li>• Better financial positioning for large European power-to-gas projects (e.g. H2V), including refineries (enabled by Nel's strong product portfolio)</li><li>• Positioning the Company with the opportunity to take on attractive projects with strong industrial partners (certain projects can require some up-front capital)</li></ul>
OFFER SIZE	<ul style="list-style-type: none"><li>• Approx. 10% of the current shares outstanding</li></ul>	
OFFER PRICE	<ul style="list-style-type: none"><li>• To be determined through bookbuilding</li></ul>	
MINIMUM SUBSCRIPTION	<ul style="list-style-type: none"><li>• NOK equivalent of EUR 100,000</li></ul>	
CONDITIONS	<ul style="list-style-type: none"><li>• Board approval of the transaction based on the authorization to issue shares from the annual general meeting</li></ul>	

# Trading update and order backlog

Transaction and trading update

## TRADING UPDATE

- Q3 sales NOK ~100 million
  - All time high quarterly sales level
- Q4 sales NOK ~100 million
  - Full-year organic growth of ~30% (excl. Proton)
- Q3 cash reserve of NOK ~80 million
  - Impacted by Proton acquisition related items (negative NOK ~50 million)
  - Working capital build-up related to higher sales/orders
- Order intake of NOK ~170 million
- Current order backlog of NOK ~400 million, all time high

## ORDER INTAKE AND ORDER BACKLOG

### Orders announced post Q2 (since 30 June 2017)

- Sunline, PEM electrolyser and H2Station® for bus fueling in California, total contract value >USD 8m
- Additional order for the fourth system as part of Proton's agreement with Synergy (total agreement covers up to 13 MW-systems), additional order with a value of up to USD 1.8m
- Additional purchase orders from Shell under California framework contract. ~NOK 50m value

# Introduction to Nel

# Nel ASA in brief

## Introduction to Nel

### BUSINESS OVERVIEW

- Global pure-play OSE listed hydrogen company, w/facilities in Norway, Denmark and US
- World leading on hydrogen electrolyzers and fueling – unrivalled performance and track-record
- More than 3500 hydrogen solutions delivered in ~80 countries worldwide since 1927
- Significant foothold in fast-growing markets with several breakthrough contracts
- Complete range of products optimally positioned for large market opportunities
- Capable of delivering solutions to produce, store and distribute hydrogen from renewable energy – serving industry, energy and gas companies

#### Three business segments



Including newly acquired company Proton OnSite

#### Hydrogen Electrolyzers



#### Hydrogen Fueling



#### Hydrogen Solutions

#### NEL GROUP REVENUES

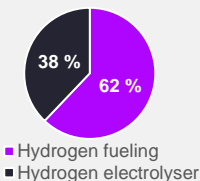
**2015**  
NOK 99.9m

**2016**  
NOK: 114.5m

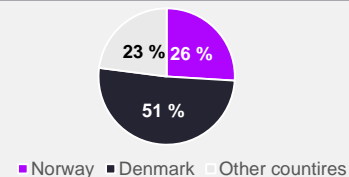
**Pro forma 2016<sup>2)</sup>**  
NOK: 342.7m

### REVENUE SPLIT 2016

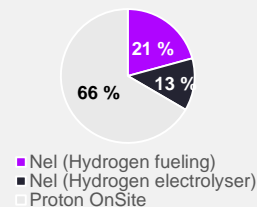
#### BY SEGMENT<sup>1)</sup>



#### BY GEOGRAPHY<sup>1)</sup>



#### PRO FORMA 2016<sup>2)</sup>



# Nel - key historical events

## Introduction to Nel

- Nel dates back to 1927 when Norsk Hydro installed the first small electrolyzers at Notodden
- Nel initially served Norsk Hydro's own demand for green hydrogen, a critical component in the production of ammonia/fertilizer
- In the 1970's, Norsk Hydro started offering the electrolyser technology to external customers
- Nel was later developed into a separate entity and listed on the Oslo Stock Exchange in 2014 (listed entity DiaGenic ASA acquired Nel and changed its name to Nel ASA)
- Nel has grown significantly through a range of acquisitions as well as organic growth, and has taken a leadership role in the development of the global hydrogen economy
- Hence, the slogan "number one by nature"

## KEY EVENTS UNDER NEL ASA

*Nel was listed at the Oslo Stock Exchange*

Oct 2014

*Nel acquired H2 Logic, a supplier of Hydrogen fueling Stations*

May 2015

*JV Uno-X Hydrogen AS established together with Uno-X, Nel and Praxair*

Aug 2015

*Nel acquired RotoBoost H2 AS which holds all assets related to the RotoLyzer ®*

Mar 2016

*Nel entered into an agreement with SunPower to build and operate the first solar-driven hydrogen production plant in USA*

Feb 2017

*Framework contract for the supply, construction and maintenance of H2Station® hydrogen fueling stations in California for Shell in a partnership with Toyota*

Feb 2017

*JV agreement with Hexagon Composites ASA and PowerCell Sweden*

Apr 2017

*Additional purchase orders from Shell*

Apr 2017

*Nel acquired Proton OnSite to become the world's largest electrolyser company*

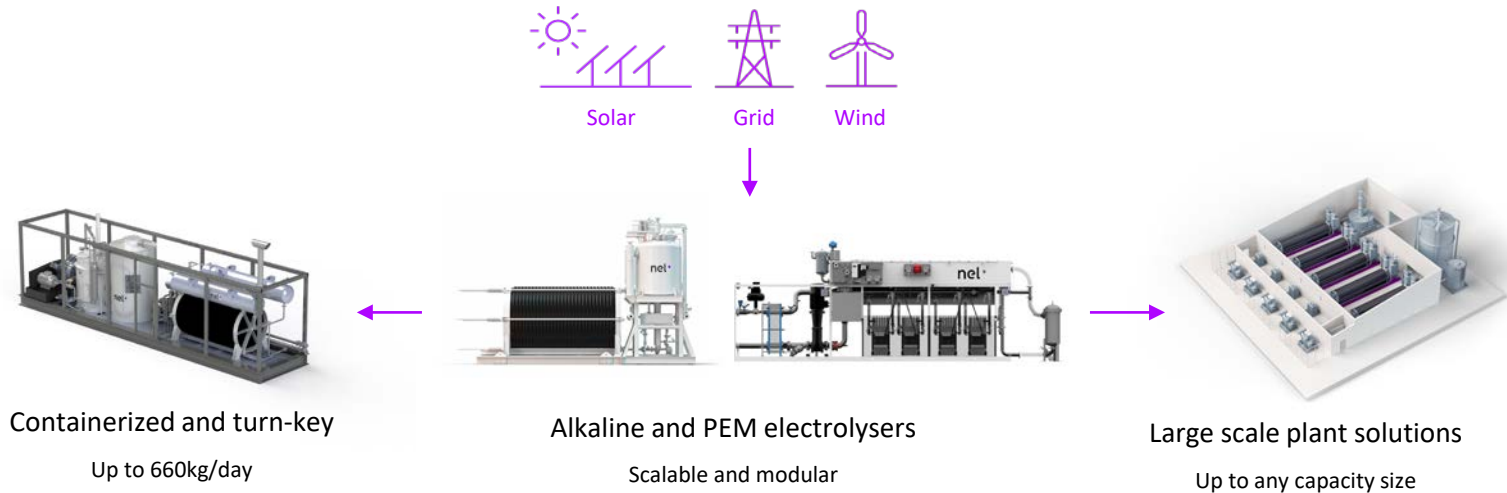
Sep 2017

# Segment overview

# Nel Hydrogen Electrolyser

Production and installation of water electrolyzers for hydrogen production

- Global leader in hydrogen production plants - highest uptime, lowest conversion cost, robust and reliable
- More than ~3,500 hydrogen solutions delivered in >80 countries world wide since 1927
- Scalable production capacity for industrial and energy/transport applications – small scale to large scale solutions



# Proton OnSite

Part of Nel Hydrogen Electrolyser

- Completed the acquisition of Proton OnSite on June 30, 2017
- Creating the world's largest electrolyser company
- Enabling Nel to offer any type of electrolyser in the market
- Great strategic fit, and several areas of synergies
  - Proton OnSite and Nel have already started to work together on integrated projects, proving the strong organizational and technical fit
- Enhances Nel's foothold in the US and accelerates Nel's growth ambitions
- Combined pro forma FY 2016 revenues of NOK 342.7 million (vs Nel 2016 revenue of NOK 114.5 million)



## ***PROTON IN NUMBERS***

- USD 27m in revenues (2016)
- 2600+ installations worldwide
- 75+ countries with generators installed
- 80 registered patents
- 20 years of installations
- ~100 employees
- Fully developed product offering, with the world's largest megawatt PEM electrolyser deal at the time in December 2016 (deal value excess of USD 20m)

# Nel Hydrogen Fueling

Production of hydrogen fueling stations for cars, buses, trucks, forklifts and other applications

- Global leader within hydrogen fueling solutions for vehicles, first to adapt the newest fueling standards
- Delivered more than 30 stations in 8 countries across Europe since 2003
- Highest reported availability and innovative, in-house developed technologies



High capacity, smallest footprint

200 kg/day, 10m<sup>2</sup>



Flexible installation, smallest footprint

50 m from station, 1/3 size of normal dispenser



Largest manufacturing facility

300 station per year capacity

# Nel Hydrogen Solutions

Established to utilize market opportunities across the Nel group and offers complete solutions to customers

- Unified delivery of complex renewable hydrogen solutions, efficient system integration, project development and sales across segments
- Only provider of integrated solutions along the entire value chain:

## 1. Fueling Networks

- Develop entire fueling networks, incl. renewable hydrogen production
- Service and maintenance
- Network monitoring services

## 2. Renewable Hydrogen & Storage Solutions

- Renewable hydrogen
- Production based hydro, wind or solar
- Large, medium or small scale
- Storage solutions and “constant” renewable supply



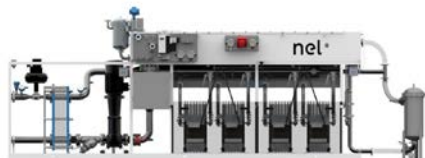
# Recent announcements

# PEM electrolyser and H2Station® for bus fueling in California

Recent announcements

## High capacity station for 25 busses in CA

- First integrated Nel/Proton product offering
- Two 1 MW PEM electrolyzers
- Two H2Station® for busses
- Total contract value of USD >8 million
- Delivery during 2018



1 MW PEM electrolysis



Hydrogen storage



Station module



Dispensers



35MPa

35MPa

# Additional order as part of the world's largest PEM electrolyser agreement

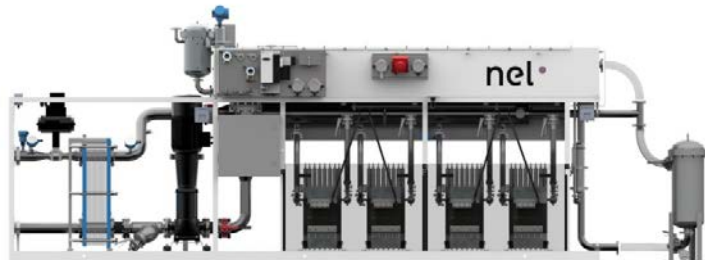
Recent announcements

## Another MW delivery to China for fuel cell busses

- Order for the fourth MW-system under agreement between Nel/Proton and Synergy in China
  - Synergy also cooperating with Ballard on fuel cell technology
- Value of up to USD 1.8 million, including installation, commissioning, and other related services
- Total agreement covers up to 13 MW-systems with a total value, including installation and associated services, of more than USD 22 million
- Installations and commissioning will start towards the end of 2017 and continue into 2018



Synergy fuel cell bus production facility, official opening in Sept. 2017



1MW PEM electrolyser, net production rate: 100-200 Nm<sup>3</sup>/hr

# Potential large scale energy storage project in Fredericia, Denmark

Recent announcements

## Multi-value stream project in Denmark

- Potential project of ~20 MW electrolysis
- Renewable hydrogen for multiple purposes:
  - Replace fossil hydrogen used in refinery process
  - Energy storage and power generation
  - Hydrogen used directly for transportation purposes, fuel cell electric busses and cars (FCEV's)
- Other value streams:
  - Oxygen used locally within refinery
  - Heat used for city district heating
- Developed solution relevant in many other oil refineries across the globe



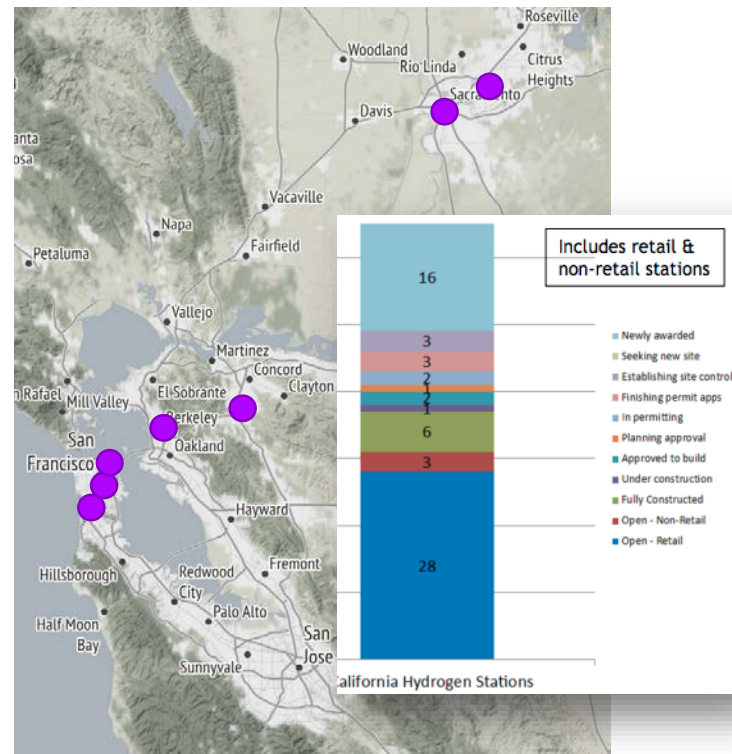
Shell oil refinery in Fredericia, Denmark

# Additional order from Shell under framework agreement

## Recent announcements

- Nel has exclusive framework contract with Shell (in partnership with Toyota and Honda) for supply, construction and maintenance of hydrogen stations San Francisco CA
  - Initial purchase order received Q1'17 with value of NOK ~140 million
  - Recent additional purchase order with value of NOK ~50 million
  - H2Station® modules expected to ship in 2017 and 2018, installation in 2018
- Retail hydrogen fueling stations have started to populate key markets in California
  - 28 retail hydrogen stations open throughout the state

## Shell hydrogen stations in the North



# Entered milestone agreement with H2V PRODUCT

Recent announcements

- **Exclusive, industrial-scale power-to-gas framework agreement with H2V PRODUCT**
  - French company focused on massive carbon free hydrogen production
  - Carbon free hydrogen will be injected into main gas pipeline that distributes natural gas throughout France
- **First 100 MW hydrogen plant, contract value of NOK ~450 million, increasing to NOK ~3.15 billion for six other H2V PRODUCT plants (total of 700 MW)**
  - First plant developed 2018-2020, target to continue adding lines in period between 2020-2025
  - Partnership represents significant opportunities for further expansions
- **Expansion of Nel production capacity**
  - Investment decision related to capacity expansion at Notodden is expected in connection with final agreements

**Dunkerque gas terminal**



# Attractive market opportunity

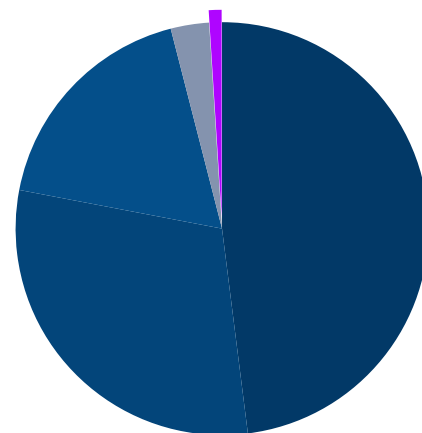
# Total global hydrogen market

Attractive market opportunities

## Large opportunities for growth within existing hydrogen market

- ~50 million ton/year market (~150 BUSD)
- Only 1% from water electrolysis
- Large potential for growth, driven by increasing focus on climate and renewable energy
- Increasing activities related to power-to-gas and refineries
- The entire market would represent ~2,800 TWh of electricity and ~450 GW, equivalent to more than 200,000 of Nel's largest electrolyzers (NEL A-485)

Hydrogen from water electrolysis represents only 1% of total market

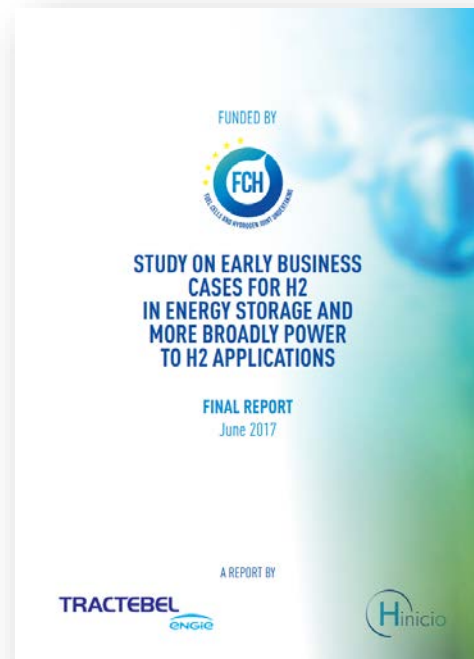


- Steam Methane Reforming
- Crude oil cracking
- Coal gasification
- Chlor-alkali by-product
- Water electrolysis

# Power-to-H<sub>2</sub> market of NOK 39 billion until 2025, in Europe alone

Attractive market opportunities

- Recent study shows that power-to-hydrogen is already bankable in Europe at electricity prices of 40 – 50 €/MWh (37 – 47 øre/kWh)
- Potential in the EU from now until 2025 of a **cumulative electrolyser capacity of 2.8 GW, representing a market value of NOK 39 billion**
- Most bankable in short- and medium-term:
  - Hydrogen mobility deployment
  - Oil refineries
  - Chemical and fertilizer industries
  - Complemented by gas grid injection
- First ever Green-Ammonia Conference held in Rotterdam May 18<sup>th</sup>-19<sup>th</sup>

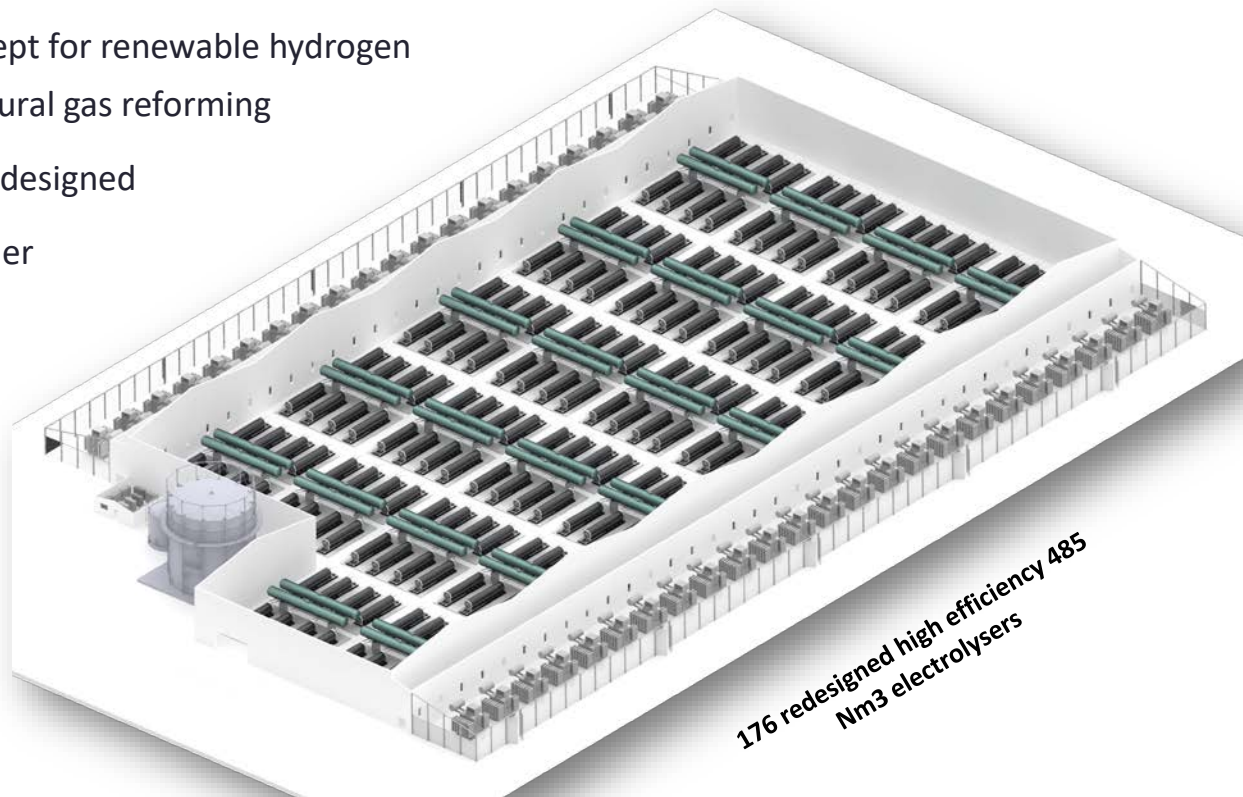


[http://www.fch.europa.eu/sites/default/files/P2H\\_Full\\_Study\\_FCHJU.pdf](http://www.fch.europa.eu/sites/default/files/P2H_Full_Study_FCHJU.pdf)

# Project develop.: 400MW renewable H2 plant to outcompete natural gas reforming

Attractive market opportunities

- Working on GIGA factory concept for renewable hydrogen production to **outcompete** natural gas reforming
- Largest electrolyser plant ever designed
- International industrial customer
- Tied to solar power
- CapEx of USD ~175 million
- **Benchmark CapEx ratio:**
  - **0.45 MUSD/MW**



# Record range and low cost achieved

Attractive market opportunities

- Hyundai recently launched next generation FCEV
- Range of >800 km
- Second generation FCEV from Hyundai will receive fourth generation fuel cell tech.:
  - ~20% lighter fuel cell
  - ~10 % more efficient
  - ~30% higher power density (kW/liter)
  - >60% total (tank-to-wheel) efficiency
- Commercial launch in 2018, second generation Hyundai FCEV

## New Hyundai FCEV launch early 2018



Hyundai 2018 model FCEV: >800 km range (NEDC)

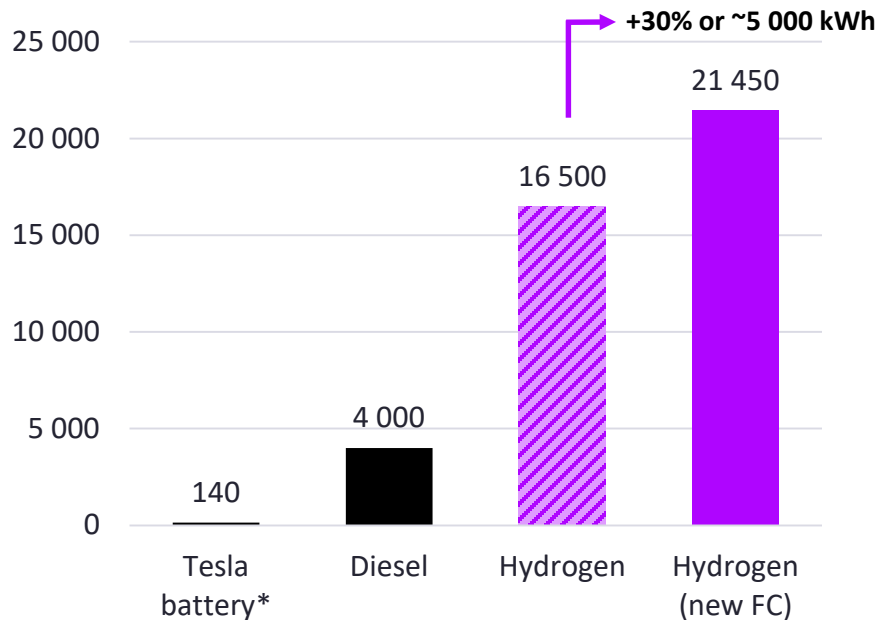
Initial production capacity of 3,000 vehicles annually

# Fuel cell efficiency improvements massively boosts energy output

Attractive market opportunities

- With 1000 kg of a given energy carrier, how much useful energy can be recovered?
  - Battery: <140 kWh
  - Diesel: ~4 000 kWh
  - Hydrogen: >16 500 kWh
- Within hydrogen, **small** improvements in fuel cell technologies gives **large** improvements in recovered energy
  - Ref. graph: increase from 50% to 65% fuel cell efficiency increases energy output by ~5 000 kWh

Useful energy per 1000 kg (in kWh)



*\* For marine applications, batteries tend to have ½ the kWh capacity compared to cars due to stricter durability requirements (i.e. ~60 kWh)*

# Several hydrogen initiatives ongoing: selected examples

Attractive market opportunities

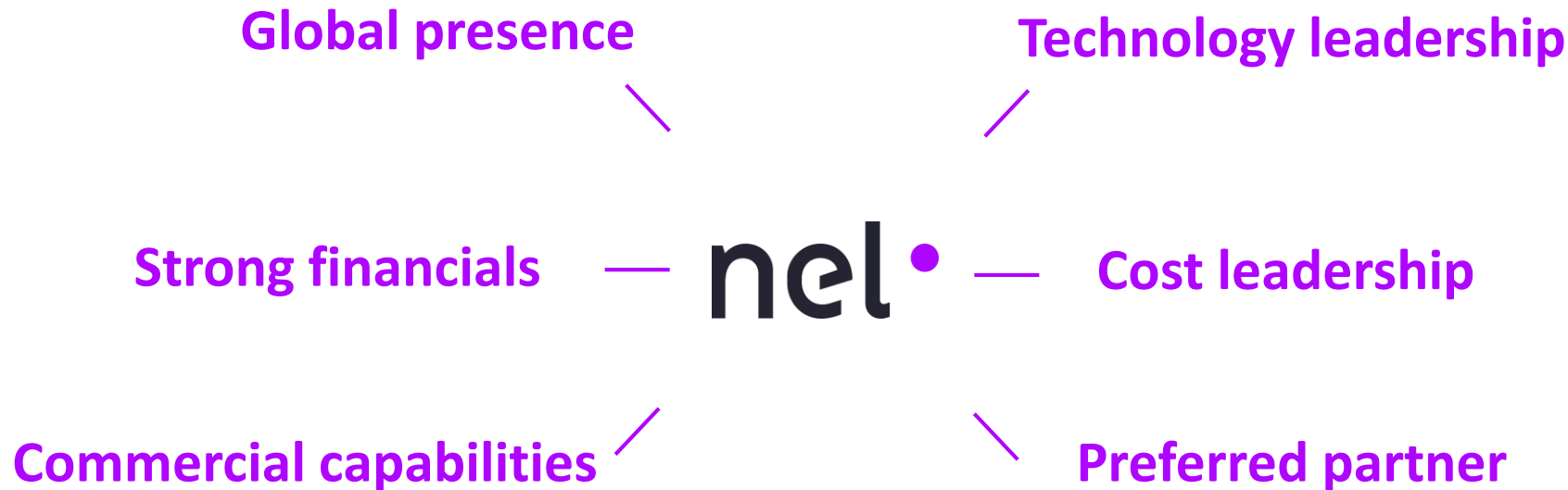


# Summary/Outlook

# Creating a rapidly growing billion NOK company

Summary/outlook

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*Levering on the arising opportunities within energy  
storage and hydrogen fueling*

# Appendix

# Financial highlights – Quarterly development 2016-2017

## Appendix

(NOK million)	2017 Q2 Adj.*	2016 Q2	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Operating revenue	39.1	13.5	39.1	35.7	50.6	24.4	13.5	26.0
Total operating costs	63.9	29.9	63.9	51.3	66.6	32.7	29.9	36.1
EBITDA	-12.5	-14.0	-22.0	-13.0	-13.1	-10.1	-14.0	-7.6
EBIT	-15.3	-16.5	-24.7	-15.6	-16.0	-12.7	-16.5	-10.1
Pre-tax profit	-16.6	-16.0	-26.0	-16.2	-24.1	-12.4	-16.0	-10.1
Net profit	-17.3	-15.6	-26.7	-15.6	-18.5	12.0	-15.6	-9.7
Net cash flow from operating activities	37.3	-24.2	37.3	-14.0	11.0	10.5	-24.2	-21.3
Cash balance at end of period	201.2	265.9	201.2	386.3	225.0	223.6	265.9	289.0

- Revenue growth of ~190% compared to same period last year
- Operating earnings negatively impacted by ramp-up cost, non-cash option commitments, other Proton transaction related costs
- \*Adjusted for Q2 acquisition cost of NOK 5.2 million and non-cash share options cost of NOK 4.2 million
  - Nel Hydrogen Electrolyser continues to contribute positively to EBITDA, for the third quarter in a row

# Profit and loss

## Appendix

(NOK million)	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	2016
Operating revenue	39.1	13.5	74.9	39.5	114.5
Operating costs	63.9	29.9	115.2	66.0	169.8
EBITDA	-22.0	-14.0	-35.0	-21.6	-44.9
EBIT	-24.7	-16.5	-40.3	-26.6	-55.3
Pre-tax profit	-26.0	-16.0	-43.4	-26.1	-62.6
Net profit	-26.7	-15.6	-42.6	-25.3	-55.8
Total comprehensive income	-25.0	-17.9	-41.9	-33.8	-75.4

# Balance sheet

## Appendix

(NOK million)	2017 Q2	2016
Fixed assets	1,157.3	462.9
Current assets	416.7	300.0
-of which is cash and cash equivalents	201.2	225.5
Equity	1,200.5	671.2
Long term liabilities	26.1	12.6
Short term liabilities	216.4	65.6
Total balance	1,574.1	762.9
Equity ratio (%)	76.3%	88.0%

# Cash flow

## Appendix

(NOK million)	2017 Q2	2016 Q2	2016
Pre-tax profit (loss)	-26.0	-16.0	-62.6
Net cash from operations	37.2	-24.2	-34.2
Net cash from investments	-198.5	-8.6	-60.2
Net cash from financing	-5.9	9.7	6.8
Net change in cash and cash equivalents	-167.2	-23.1	-87.6
Cash at end of period	201.2	265.9	225.5

# Unaudited pro forma FY 2016 figures

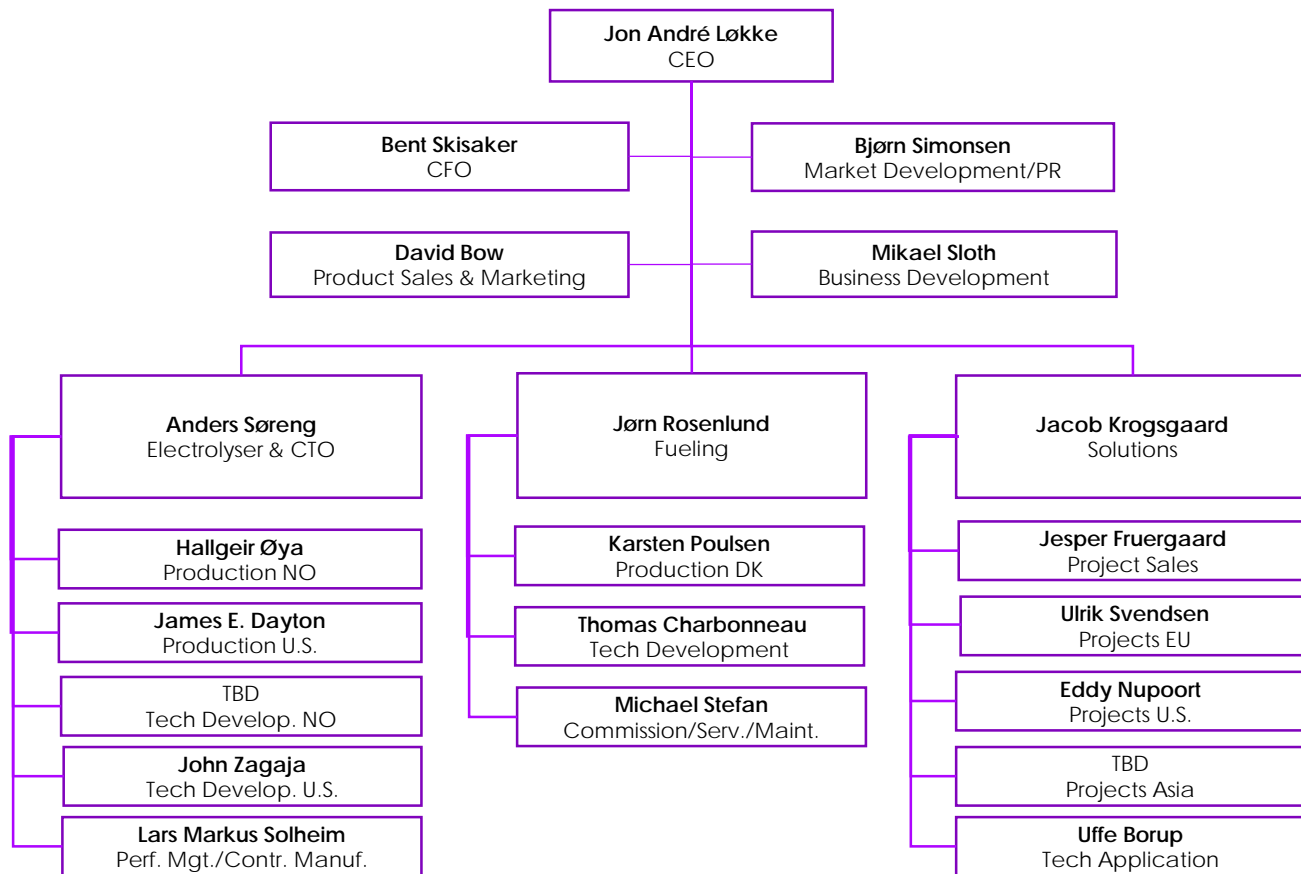
## Appendix

(NOK million)	2016
Operating revenue	342.7
Operating costs	241.6
EBITDA	-83.5
EBIT	-138.4
Pre-tax profit	-148.2
Net profit	-124.5

- Proton OnSite amounted ~67% of the Company's 2016 pro forma revenue

# New organization in place

## Appendix



# New Nel Board

## Appendix

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- Hanne Skaarberg Holen (chair of the Board)

- Partner of Advokatfirmaet Thommessen. Has worked as Managing Partner of Arntzen de Besche Advokatfirma and PriceWaterhouseCoopers

- Beatriz Malo De Molina

- Has worked as SVP and Head of M&A at Orkla ASA, and previously for Kistefos Private Equity, McKinsey & Co, various positions in Goldman Sachs

- Finn Jebsen

- Former CEO of Orkla ASA and business areas like Borregaard, Denofa Lilleborg, Ringnes-Carlsberg and Orkla Brands.

- Mogens Filtenborg

- Has worked as EVP, Board member and Operations/Chief Technology Officer of Vestas Wind Systems A/S

- Ole Enger

- Has worked as CEO in Nordsilmel, Elkem, SAPA, REC, and executive management of Norsk Hydro and Orkla.