



HEXAGON  
COMPOSITES

# 1<sup>ST</sup> QUARTER 2015

Oslo, 7<sup>th</sup> May 2015

Jon Erik Engeset, CEO  
David Bandele, CFO



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# AGENDA

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- Group highlights
- Group financials & segment overview
- Outlook
- Q & A

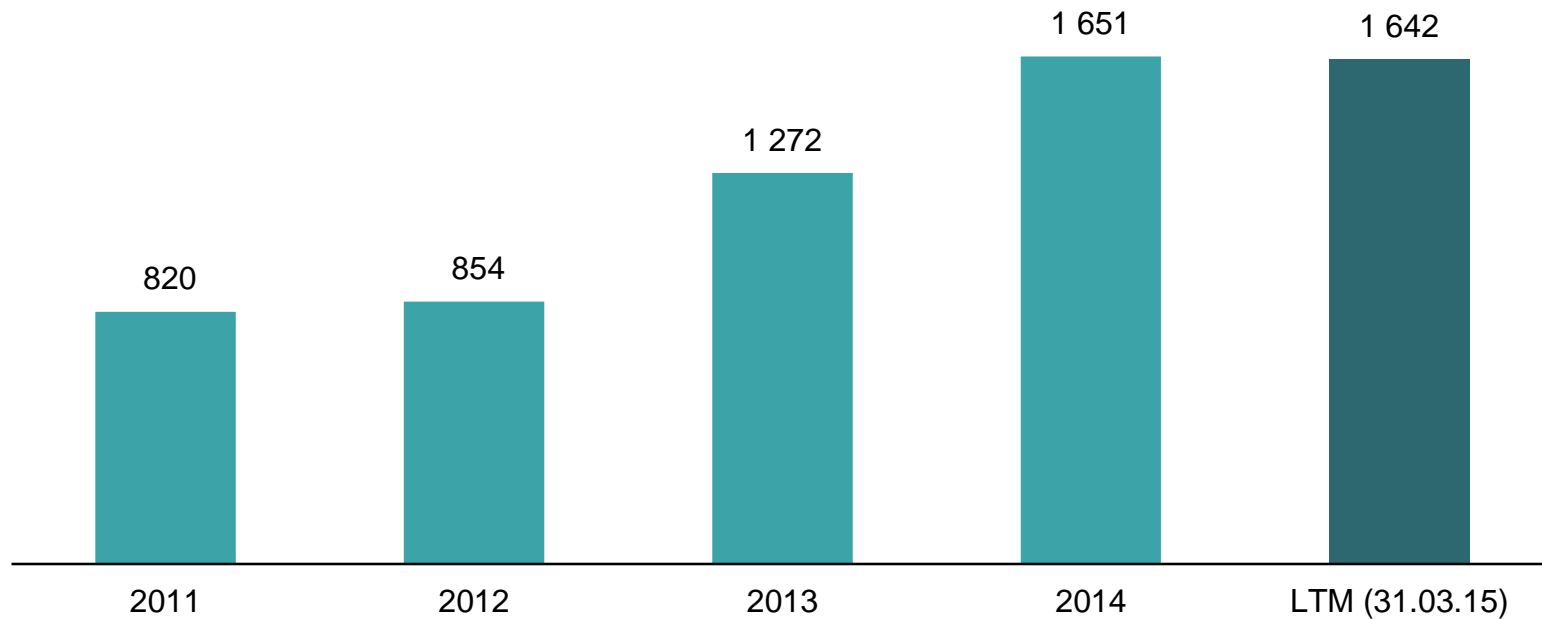
# SOME MARKET CHALLENGES IN THE QUARTER



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## OPERATING REVENUES

NOK Million



NO. 1 GLOBAL POSITION



# HIGHLIGHTS Q1 2015

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- Record delivery volumes for the Heavy-Duty market segments
- Soft Mobile Pipeline™ quarter largely due to order postponements
- Reasonable LPG capacity utilization, but lower than Q1 2014
- Positive impacts of USD





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FINANCIALS

# SUMMARY FINANCIAL HIGHLIGHTS

## Q1 2015



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- Strong underlying growth in CNG business North America v Q4 2014
- Lower volumes impacting overall profitability in Mobile Pipeline™ and LPG businesses
- Losses in Light-Duty Vehicles business unit
- Generally higher cost base as we invest in personnel and activities for the future
  - NOK 18 million real growth v Q1 2014
- Group operating income NOK 401.6 million
- EBITDA NOK 52.9 million
- Earnings per share NOK 0.28





# Q1 2015 GROUP INCOME STATEMENT

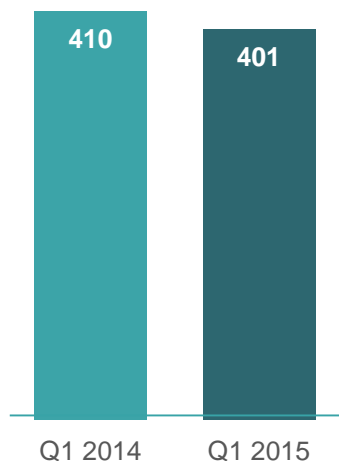
NOK THOUSAND	THREE MONTHS ENDING			TWELVE MONTHS ENDING
	31.03.15	31.03.14	Variance	31.12.14
<b>Operating Income</b>	<b>401 636</b>	<b>410 529</b>	<b>(8 893)</b>	<b>1 650 829</b>
Operating expenses	(348 782)	(325 416)	(23 356)	(1 321 678)
<b>EBITDA</b>	<b>52 854</b>	<b>85 113</b>	<b>(32 259)</b>	<b>329 151</b>
Depreciation and impairment	(13 328)	(17 993)	4 665	(72 363)
<b>EBIT</b>	<b>39 526</b>	<b>67 120</b>	<b>(27 593)</b>	<b>256 788</b>
Share of profit/(loss) from associates	(112)	(755)	643	(9 554)
Other financial items (net)	13 837	(8 892)	22 728	(9 815)
<b>Profit before tax from cont. operations</b>	<b>53 251</b>	<b>57 473</b>	<b>(4 222)</b>	<b>237 419</b>
Tax expense	(15 643)	(18 951)	3 308	(77 072)
<b>Profit after tax from cont. operations</b>	<b>37 608</b>	<b>38 522</b>	<b>(914)</b>	<b>160 347</b>
Profit/(loss) from companies held for sale	0	4 855	(4 855)	4 325
<b>Profit/(loss) for the quarter/year</b>	<b>37 608</b>	<b>43 377</b>	<b>(5 769)</b>	<b>164 672</b>
<b>EBITDA %</b>	<b>13.2%</b>	<b>20.7%</b>		<b>19.9%</b>
<b>EBIT %</b>	<b>9.8%</b>	<b>16.3%</b>		<b>15.6%</b>
<b>NET PROFIT %</b>	<b>9.4%</b>	<b>10.6%</b>		<b>10.0%</b>



# Q1 '15 V '14 INCOME STATEMENT HIGHLIGHTS

## Operating Income NOK million

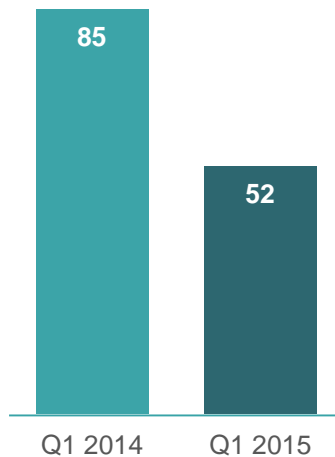
-2% Growth  
-NOK 9 million



- High-Pressure growth NOK 33 million (13%)
  - Includes positive USD FX impacts of c. NOK 66 million
- Low-Pressure decline NOK 42 million (-29%)

## EBITDA NOK million

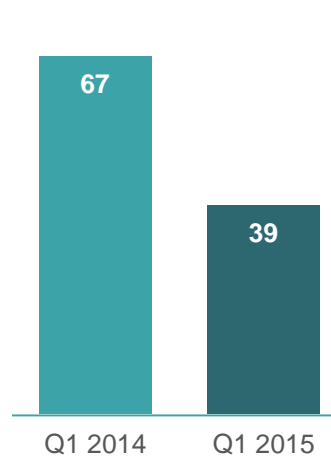
-38% Growth  
-NOK 33 million



- High-Pressure at 11.4% margin
- Low-Pressure at 19.6% margin

## EBIT NOK million

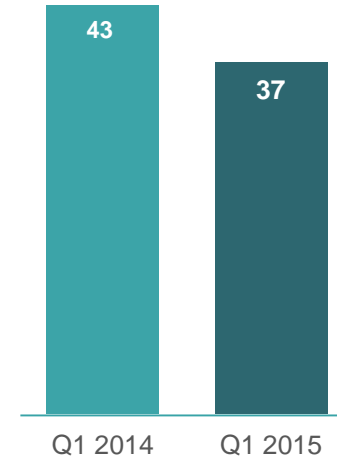
-41% Growth  
-NOK 28 million



- 2014's Asset base is close to being fully write-down in Low-Pressure

## Net profit NOK million

-13% Growth  
-NOK 6 million



- Financial items effect of NOK +23 million (FX +23; Interest 0)
- Effect from Rugasco JV NOK +1 million
- Tax effect of +NOK 3 million
- Hexagon Devold divestment effect NOK -5 million

**Reasonable revenue and profit generation despite negative impacts of volume mix and higher cost base**



# GROUP EBITDA Q1 '15 V Q1 '14

NOK million



**Low-Pressure profitability impacted primarily by lower volumes;**

**High-Pressure profitability impacted by higher innovation and development driven cost base and portfolio mix**

# SEGMENT SHARES Q1 2015

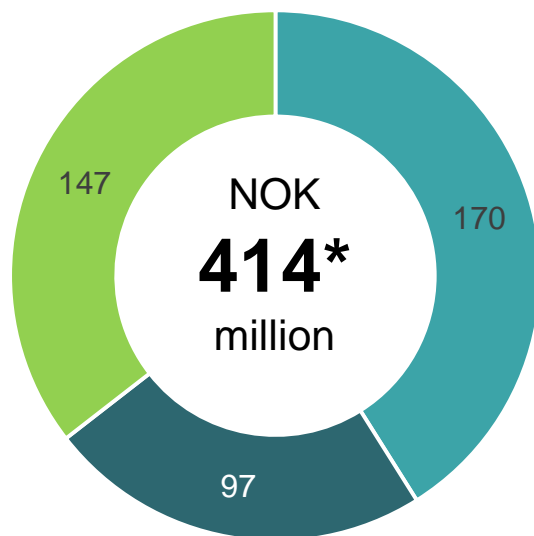
BEFORE INTERCOMPANY ELIMINATIONS AND GROUP CHARGES\*



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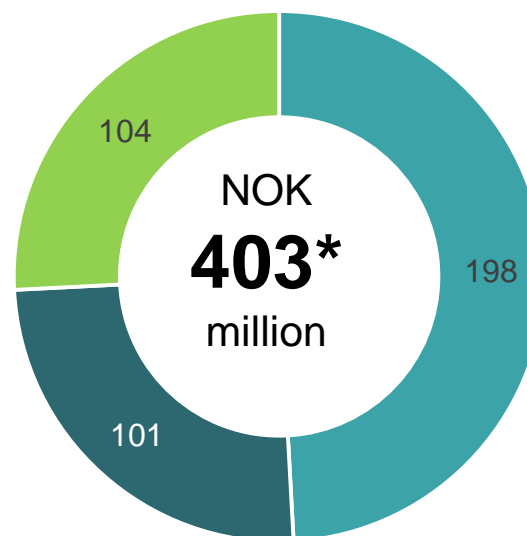
## SHARE OF OPERATING INCOME

Q1 2014



- High-Pressure: CNG Automotive (Global)
- High-Pressure: Mobile Pipeline™
- Low-Pressure: LPG (Propane)

Q1 2015



- High-Pressure: CNG Automotive (Global)
- High-Pressure: Mobile Pipeline™
- Low-Pressure: LPG (Propane)

# SEGMENT SHARES Q1 2015

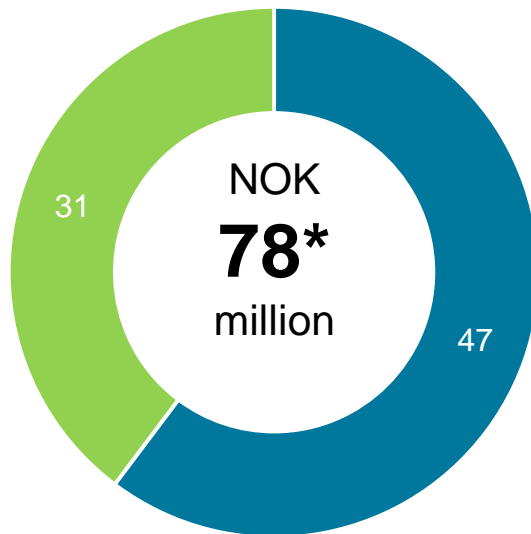
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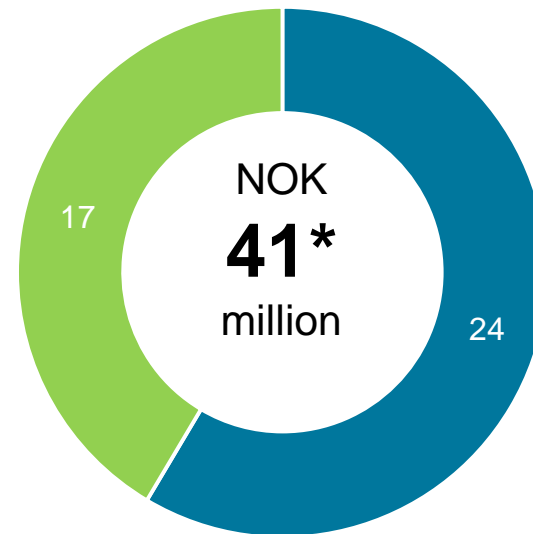
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## SHARE OF EBIT

Q1 2014



Q1 2015



- High-Pressure: CNG Automotive and Mobile Pipeline™
- Low-Pressure: LPG (Propane)

- High-Pressure: CNG Automotive and Mobile Pipeline™
- Low-Pressure: LPG (Propane)



# Q1: HIGH-PRESSURE CYLINDERS

- Strong heavy-duty demand in North America and global bus transit market
- Relatively weak sales of Mobile Pipeline™ solutions
- Weak demand in Light-Duty Vehicles; loss making
- Higher cost base than Q1 2014 reflecting investment in resourcing-up this business area



NOK THOUSAND	SUMMARY FINANCIALS		
	Q1 2015	Q1 2014	Variance
Operating Income	299 394	266 709	32 685
Operating expenses	(265 189)	(212 746)	(52 443)
<b>EBITDA</b>	<b>34 205</b>	<b>53 963</b>	<b>(19 758)</b>
Depreciation and impairment	(10 300)	(6 958)	(3 342)
<b>EBIT</b>	<b>23 905</b>	<b>47 005</b>	<b>(23 100)</b>



# Q1: LOW-PRESSURE CYLINDERS

- Reasonable level of recurring sales, mainly in Europe
- Good production capacity utilization though lower than Q1 2014

NOK THOUSAND	SUMMARY FINANCIALS		
	Q1 2015	Q1 2014	Variance
Operating Income	104 044	146 535	(42 491)
Operating expenses	(83 694)	(104 946)	21 252
<b>EBITDA</b>	<b>20 350</b>	<b>41 589</b>	<b>(21 239)</b>
Depreciation and impairment	(2 828)	(10 441)	7 613
<b>EBIT</b>	<b>17 522</b>	<b>31 148</b>	<b>(13 626)</b>

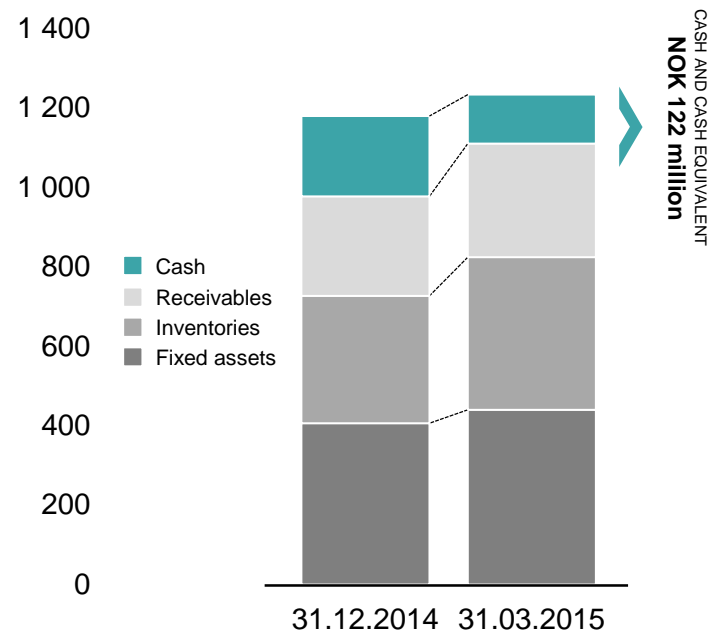




# CAPITAL STRUCTURE

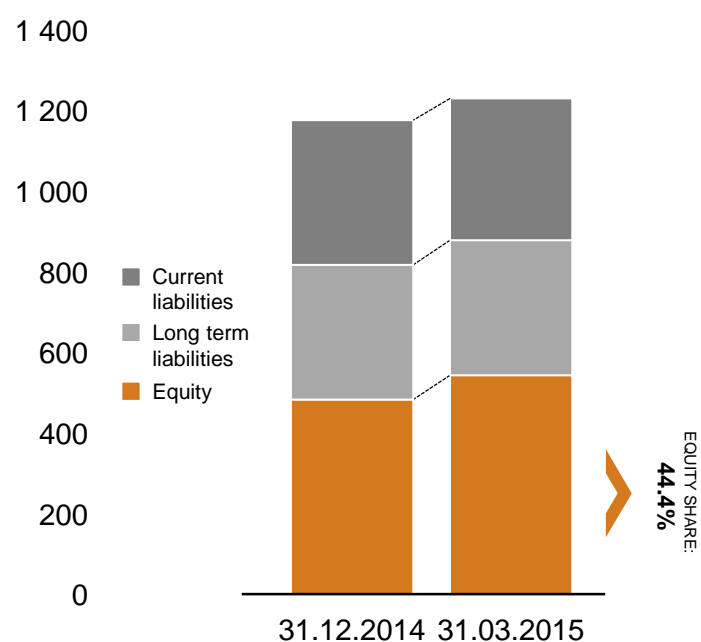
## ASSETS

NOK Million



## LIABILITIES AND EQUITY

NOK Million



**Continued Strong Cash and Equity position; Low leverage**



# FINANCIAL POSITION V PREVIOUS QUARTER

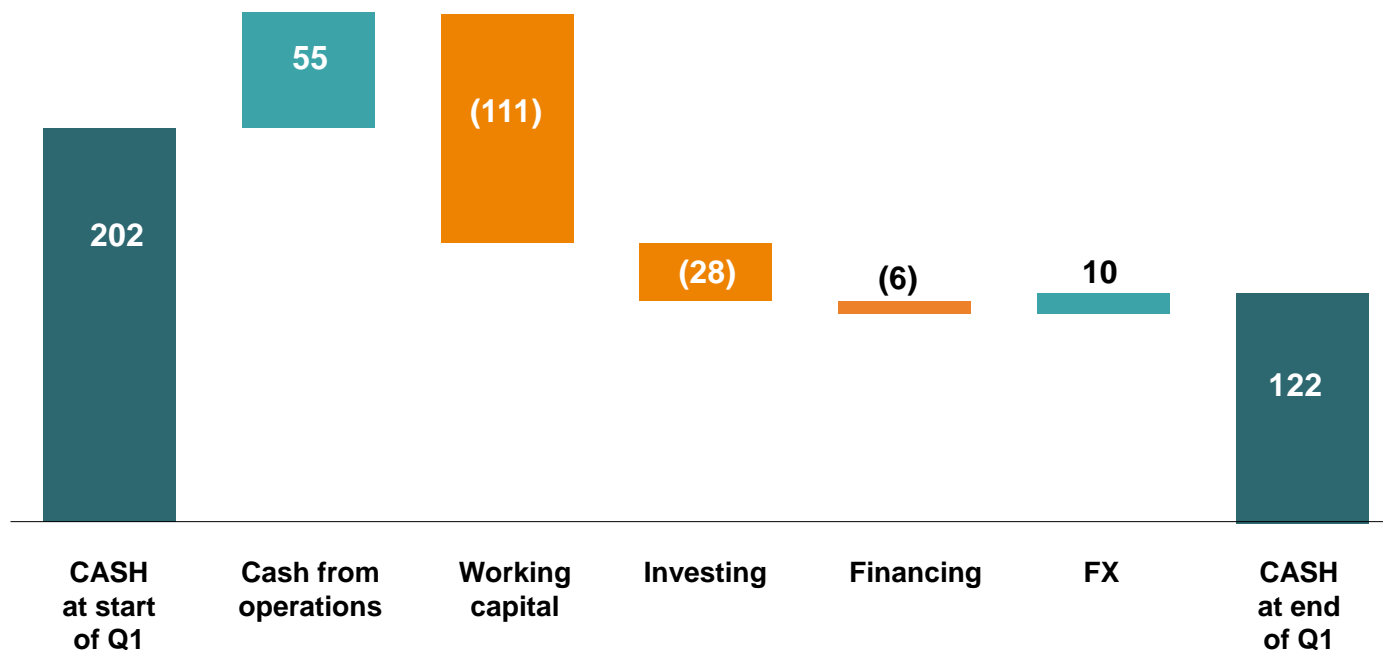
NOK THOUSAND	31.3.2015	31.12.2014	Change
Intangible assets	104 864	107 085	( 2 221)
Tangible fixed assets	325 644	294 462	31 182
Other non-current assets	9 372	4 852	4 520
<b>Total Non-current Assets</b>	<b>439 880</b>	<b>406 399</b>	<b>33 481</b>
Inventories	384 598	320 468	64 130
Receivables	285 985	250 570	35 415
Bank deposits, cash and similar	122 896	202 179	(79 283)
<b>Total Current Assets</b>	<b>793 477</b>	<b>773 216</b>	<b>20 262</b>
<b>Total Assets</b>	<b>1 233 357</b>	<b>1 179 615</b>	<b>53 743</b>
<b>Total Equity</b>	<b>547 611</b>	<b>487 109</b>	<b>60 502</b>
Provisions	36 984	36 571	413
Long-term interest-bearing debt	297 428	297 243	185
<b>Total Non-current Liabilities</b>	<b>334 412</b>	<b>333 815</b>	<b>598</b>
Short-term interest-bearing debt	-	-	-
Other current liabilities	351 334	358 691	(7 357)
<b>Total Current Liabilities</b>	<b>351 334</b>	<b>358 691</b>	<b>(7 357)</b>
<b>Total Liabilities</b>	<b>685 746</b>	<b>692 506</b>	<b>(6 760)</b>
<b>Total Equity and Liabilities</b>	<b>1 233 357</b>	<b>1 179 615</b>	<b>53 743</b>

- Additional Liquidity reserves are NOK 385 million
- Net Interest-bearing debt increased by NOK 80 million (Q4 2014: 95 v Q1 2015: 175)
  - Working capital build in US operations



# CASH FLOW Q1 2015

NOK Million



**Working capital expansion primarily in US operations**



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2015  
OUTLOOK



# HEAVY-DUTY TRUCKS

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- Very positive market development in light of the low diesel prices
- Hexagon increasing market share
- Orders of around USD 8 million related to the 27 inch cylinder – increased storage volume and reduced weight





# CONTINUED STRONG BUS MARKETS

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- Driven by environmental concerns around the world
- The trend away from diesel gaining new momentum

## Bristol Poo Bus In Action

[News Home](#)

[More from Local News](#)

Wednesday, March 25th 2015 00:00

The UK's very first bus running on human waste starts today on Service 2.





# TITAN™ ON THE MOVE

- The prospect list is growing strongly
- The market is new and many prospective end users are unfamiliar with the economics of natural gas
  - Low diesel prices entail uncertainty while value proposition remains very solid
- Shale oil & gas customers cutting back on CAPEX, but cost saving investments likely to be prioritized medium term



NG Advantage using TITAN™  
supplying Ticonderoga International  
Paper plant in upstate New York

*“the highest volume use of trucked  
CNG to-date in the U.S.”*

*NG Advantage*

# PUSH TO FULLY UTILIZE CAPACITY AT HEXAGON RAGASCO

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- Several design innovations under way
- Approaching new customers with partnership models to overcome the initial adoption barriers
- Aiming at reducing dependence on “one off” orders to a minimum





# OUTLOOK

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- Heavy Duty looks solid
- Mobile Pipeline™ soft next quarter or two, but very strong drivers expected to release demand when end customers have been able to process relevant facts
- Healthy growth in most LPG markets, but lack of large one-off orders leaves a portion of 2015 production capacity unutilized
- The Light-Duty Vehicle segment remains challenging
  - Structural measures will be considered
- Innovation and growth initiatives will be continued and strengthened regardless of the short term uncertainty in some segments





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# QUESTIONS PLEASE

Jon Erik Engeset, CEO  
David Bandele, CFO