



HEXAGON  
COMPOSITES

Q1  
2016

OSLO, 12 MAY 2016

JON ERIK ENGESET, CEO  
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# AGENDA

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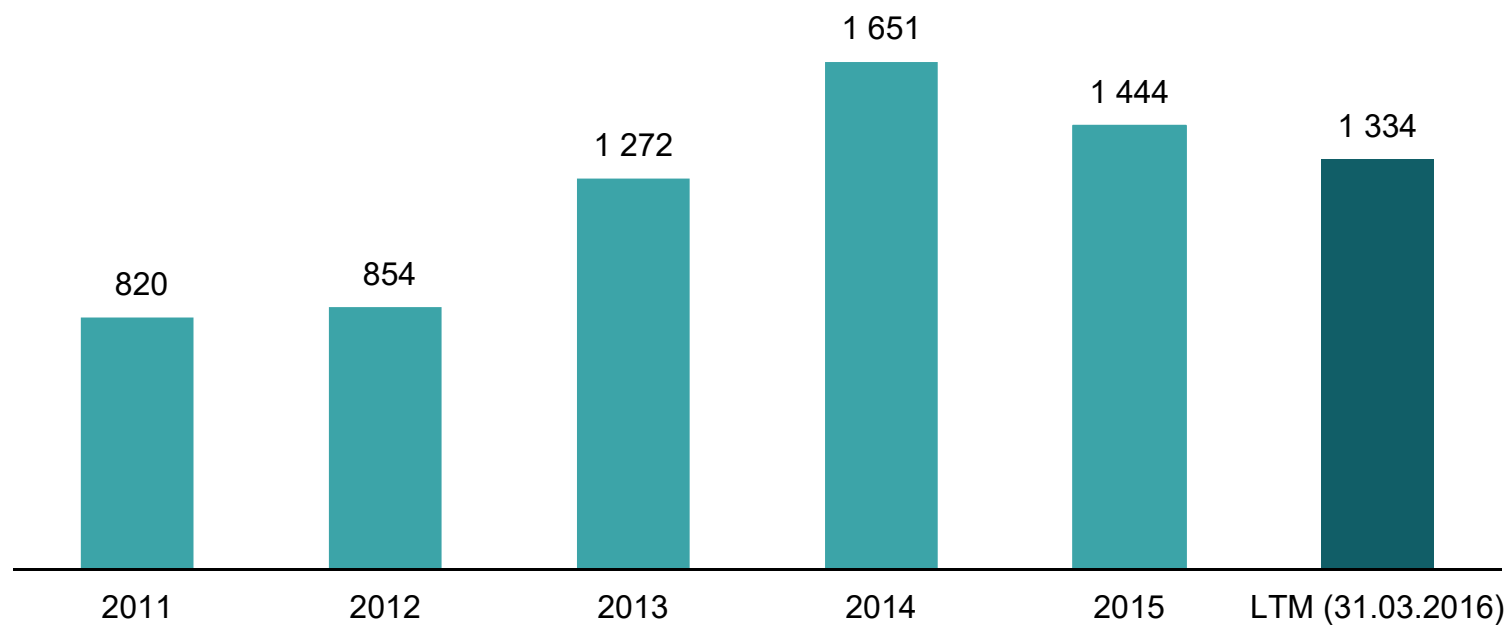
- Group highlights
- Group financials & segment overview
- Outlook
- Q & A

# LOW VOLUME IN THE QUARTER - UPTICK EXPECTED



## OPERATING REVENUES

NOK Million





# HIGHLIGHTS Q1 2016

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- Weak sales volumes in Mobile Pipeline™
- Strong growth in the LPG segment
- Hydrogen "on everybody's lips"
- Executed investment agreement and strategic alliance agreement with Mitsui & Co., Ltd.
- Agreed to acquire 67% of Brazilian bus systems builder
- Enhanced SMARTSTORE® approved by US DOT
- Cost reduction program completed and delivering above target





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1<sup>ST</sup>  
QUARTER 2016  
**FINANCIALS**



# FINANCIAL HIGHLIGHTS Q1 2016

- Key factor impacting profits this quarter:
  - Mobile Pipeline™ weakness
- Strong transit bus but softer refuse and truck sales in CNG North America
- Growing order book in Mobile Pipeline™
- Strong recurring sales base in LPG
- EBIT level profit in European Light-Duty Vehicles
- Positive operational cash generation
- Receipt of new equity proceeds at end of period

| Group key figures | NOK million |
|-------------------|-------------|
| Operating Income  | 292         |
| EBITDA            | 19          |
| Net profit        | --          |

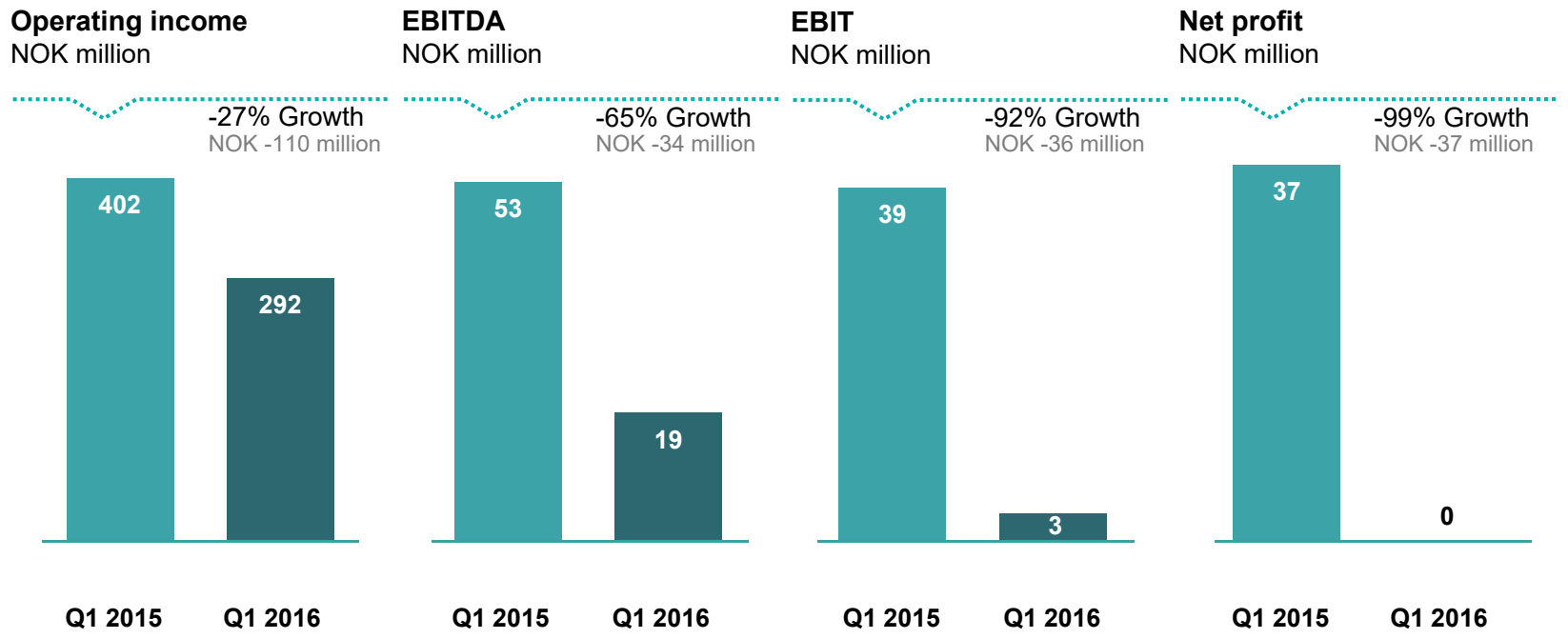




# Q1 2016 SUMMARY GROUP INCOME STATEMENT

| NOK MILLION                            | THREE MONTHS ENDING |              |                | TWELVE MONTHS ENDING |
|--|---------------------|--------------|----------------|----------------------|
|  | 31.3.16             | 31.3.15      | Variance       | 31.12.15             |
| <b>Operating Income</b>                | <b>291.6</b>        | <b>401.6</b> | <b>(110.0)</b> | <b>1 443.9</b>       |
| Operating expenses                     | (273.0)             | (348.7)      | 75.7           | (1 343.8)            |
| <b>EBITDA</b>                          | <b>18.6</b>         | <b>52.9</b>  | <b>(34.3)</b>  | <b>100.1</b>         |
| Depreciation and impairment            | (15.4)              | (13.4)       | (2.0)          | (62.6)               |
| <b>EBIT</b>                            | <b>3.2</b>          | <b>39.5</b>  | <b>(36.3)</b>  | <b>37.5</b>          |
| Share of profit/(loss) from associates | (0.0)               | (0.1)        | 0.1            | (0.3)                |
| Other financial items (net)            | (5.8)               | 13.8         | (19.6)         | (36.9)               |
| <b>Profit/(loss) before tax</b>        | <b>(2.6)</b>        | <b>53.2</b>  | <b>(55.8)</b>  | <b>0.3</b>           |
| Tax expense                            | 3.0                 | (15.6)       | 18.6           | 4.3                  |
| <b>Profit/(loss) after tax</b>         | <b>0.4</b>          | <b>37.6</b>  | <b>(37.2)</b>  | <b>4.6</b>           |
| <b>EBITDA %</b>                        | <b>6.4%</b>         | <b>13.2%</b> |                | <b>6.9%</b>          |
| <b>EBIT %</b>                          | <b>1.1%</b>         | <b>9.8%</b>  |                | <b>2.6%</b>          |
| <b>NET PROFIT%</b>                     | <b>0.2%</b>         | <b>9.4%</b>  |                | <b>0.3%</b>          |

# Q1 '16 V '15 INCOME STATEMENT HIGHLIGHTS



- High-Pressure decline NOK 127 million (-42%)  
- Includes positive USD FX impacts of c. NOK 29 million
- Low-Pressure increase NOK 17 million (+17%)

- High-Pressure decline NOK 41 million (-4.0% margin)
- Low-Pressure increase NOK 6 million (21.4% margin)

- Higher depreciation in Low-Pressure following increased asset base in 2015

- Financial items effect NOK -20 million (FX -21; Interest +2; Other -1)
- Tax effect of NOK +19 million

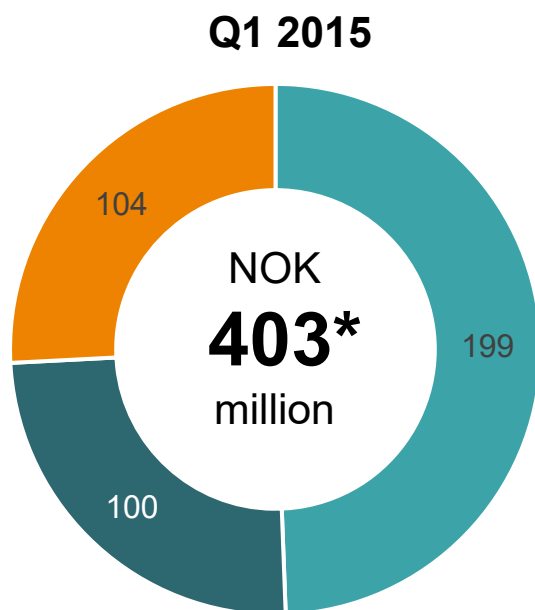
Cost initiatives helped partially offset lower volumes in Mobile Pipeline™

# SEGMENT SHARES Q1 2016

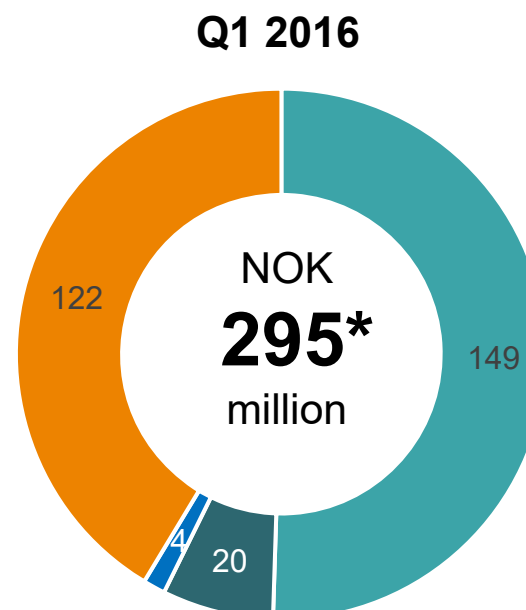
BEFORE GROUP ELIMINATIONS\*



## SHARE OF OPERATING INCOME



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



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

# SEGMENT SHARES Q1 2016

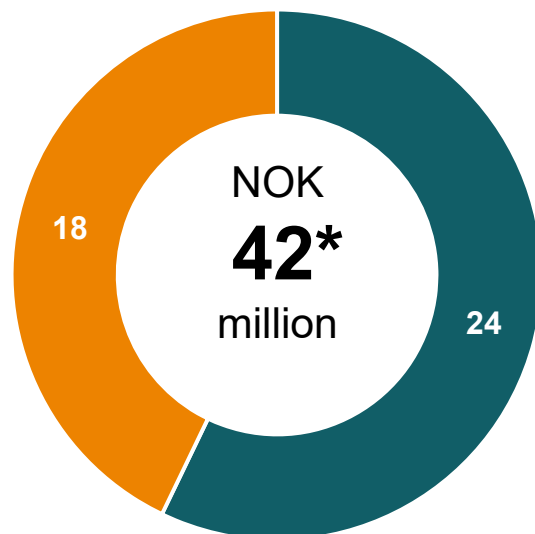
BEFORE GROUP ELIMINATIONS\*



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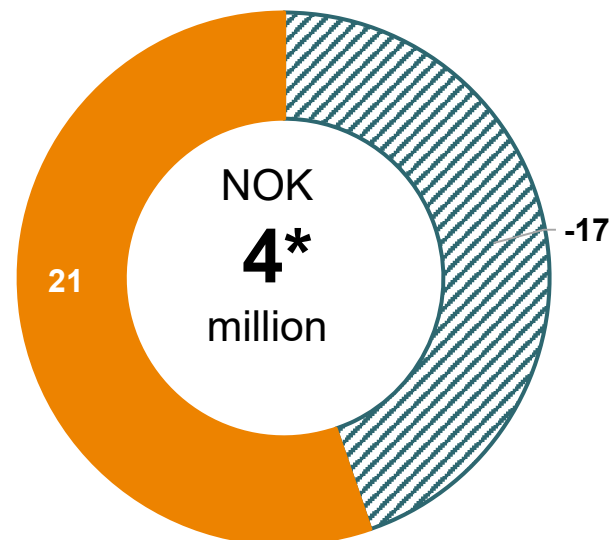
## SHARE OF EBIT

Q1 2015



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

Q1 2016



- High-Pressure: CNG Automotive, H2 and Mobile Pipeline™
- Low-Pressure: LPG (Propane)



# Q1: HIGH-PRESSURE CYLINDERS

- Very weak Mobile Pipeline™ sales; however stronger order book
- Strong transit bus demand in North America; somewhat slow in Rest of the World
- Somewhat slower Heavy-Duty and Refuse sales; One large expected order pushed out to Q3
- Profits in European Light-Duty Vehicles
- Hydrogen sales to ground storage applications

| NOK MILLION                 | SUMMARY FINANCIALS |              |          |
|-----------------------------|--------------------|--------------|----------|
|                             | Q1 2016            | Q1 2015      | Variance |
| <b>Operating Income</b>     | <b>172.7</b>       | <b>299.4</b> | (126.7)  |
| Operating expenses          | (179.6)            | (265.2)      | 85.6     |
| <b>EBITDA</b>               | <b>(6.9)</b>       | <b>34.2</b>  | (41.1)   |
| Depreciation and impairment | (10.6)             | (10.3)       | (0.3)    |
| <b>EBIT</b>                 | <b>(17.5)</b>      | <b>23.9</b>  | (41.4)   |





# Q1: LOW-PRESSURE CYLINDERS

- Recurring revenue growth mainly in European markets
- Continual penetration in Africa and South-America
- Real capacity improvements through targeted investments in 2015
- Continued focus on customised product offerings

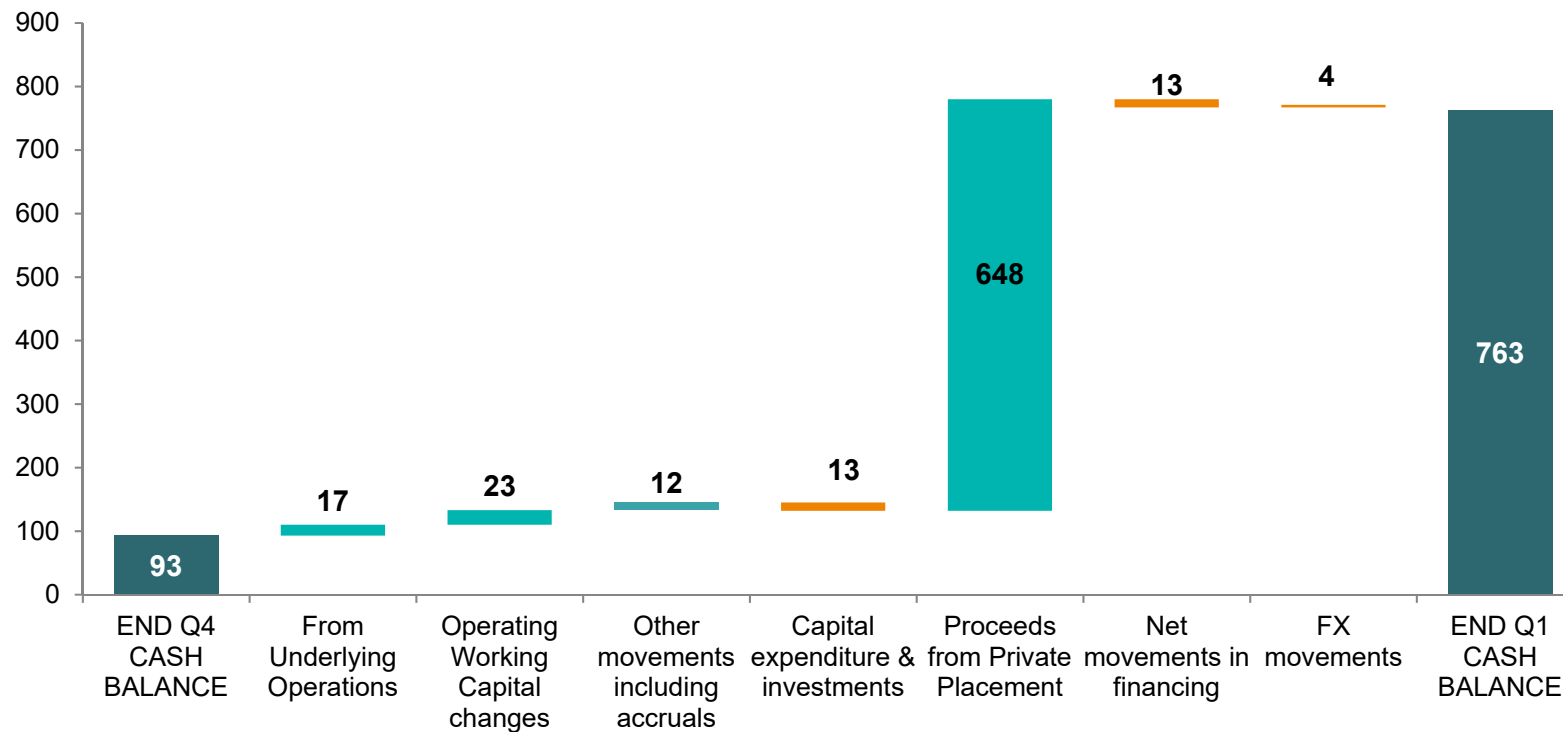


| NOK MILLION                 | SUMMARY FINANCIALS |              |          |
|-----------------------------|--------------------|--------------|----------|
|                             | Q1 2016            | Q1 2015      | Variance |
| <b>Operating Income</b>     | <b>121.8</b>       | <b>104.0</b> | 17.8     |
| Operating expenses          | (95.8)             | (83.6)       | (12.2)   |
| <b>EBITDA</b>               | <b>26.0</b>        | <b>20.4</b>  | 5.6      |
| Depreciation and impairment | (4.7)              | (2.8)        | (1.9)    |
| <b>EBIT</b>                 | <b>21.3</b>        | <b>17.6</b>  | 3.7      |



# GROUP CASH MOVEMENTS Q1 2016

NOK million



**Positive operational cash generation; New equity proceeds received at end of Q1**



# FINANCIAL POSITION V PREVIOUS QUARTER

| NOK MILLION                          | 31.3.2016      | 31.12.2015     | Change        |
|--------------------------------------|----------------|----------------|---------------|
| Intangible assets                    | 97.5           | 99.6           | (2.1)         |
| Tangible fixed assets                | 386.8          | 410.0          | (23.2)        |
| Other non-current assets             | 6.7            | 3.2            | 3.5           |
| <b>Total Non-current Assets</b>      | <b>491.0</b>   | <b>512.8</b>   | <b>(21.8)</b> |
| Inventories                          | 403.0          | 332.4          | 70.6          |
| Receivables                          | 230.4          | 242.4          | (12.0)        |
| Bank deposits, cash and similar      | 762.9          | 93.2           | 669.7         |
| <b>Total Current Assets</b>          | <b>1 396.3</b> | <b>668.0</b>   | <b>728.3</b>  |
| <b>Total Assets</b>                  | <b>1 887.3</b> | <b>1 180.8</b> | <b>706.5</b>  |
| <b>Total Equity</b>                  | <b>1 100.1</b> | <b>470.1</b>   | <b>630.0</b>  |
| Long-term interest-bearing debt      | 383.2          | 382.9          | 0.3           |
| Other non-current liabilities        | 23.4           | 24.5           | (1.1)         |
| <b>Total Non-current Liabilities</b> | <b>406.6</b>   | <b>407.4</b>   | <b>(0.8)</b>  |
| Short-term interest-bearing debt     | 0.0            | 10.7           | (10.7)        |
| Other current liabilities            | 380.6          | 292.6          | 88.0          |
| <b>Total Current Liabilities</b>     | <b>380.6</b>   | <b>303.3</b>   | <b>77.3</b>   |
| <b>Total Liabilities</b>             | <b>787.2</b>   | <b>710.7</b>   | <b>76.5</b>   |
| <b>Total Equity and Liabilities</b>  | <b>1 887.3</b> | <b>1 180.8</b> | <b>706.5</b>  |

• New equity significantly de-levers the Balance Sheet

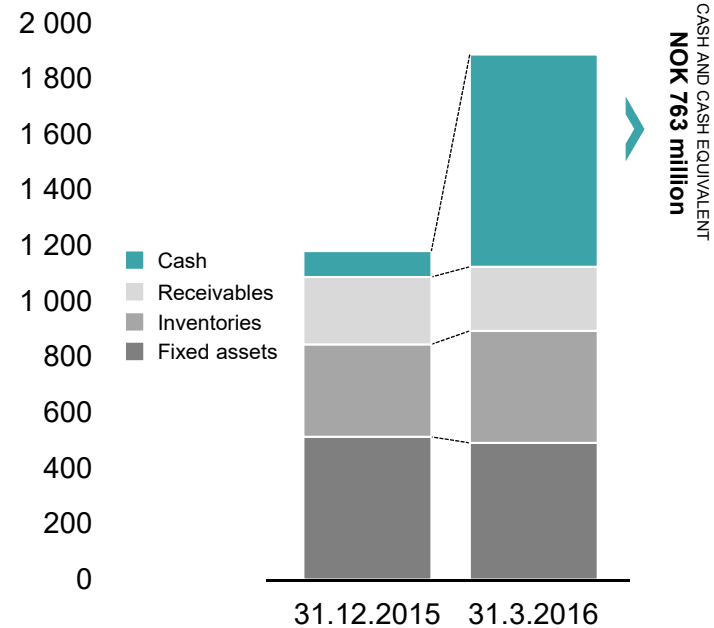
- Positive net operational cash generation
- Large bulk Carbon fibre purchases effected on extended pay-terms
- Modest Capital expenditures; Asset base reduction driven by currency effects



# STRENGTHENED BALANCE SHEET

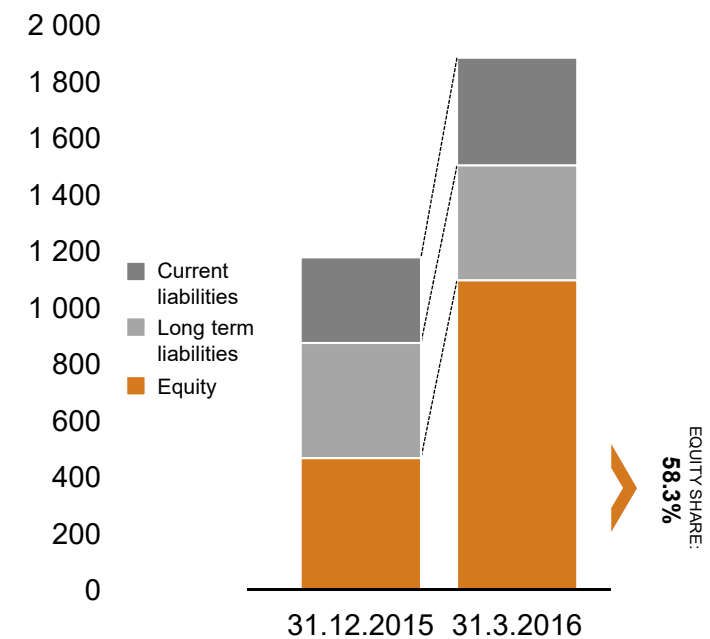
## ASSETS

NOK Million



## LIABILITIES AND EQUITY

NOK Million





## FINANCIAL IMPACTS TO Q2

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- Paid down NOK 383 million of debt after close of Q1 with proceeds of private placement
  - Reduced net assets
  - Higher equity ratio
  - Realized finance costs of NOK 4.7 million of previously capitalized costs
  - Deal fee estimates of NOK 18.6 million already included in net proceeds
- Exited remaining interest rate hedge – cash impact of NOK 4 million but no P&L impact





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# OUTLOOK

# NORTH AMERICA MARKET DEVELOPMENTS

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- The environmental benefits of CNG currently the main market driver
  - Attractive to larger fleets and urban applications
  - Urge to reduce NOx transportation emissions
- Increased oil prices starting to widen the diesel / natural gas price delta
- The North American market outlook for the rest of 2016 remains relatively positive

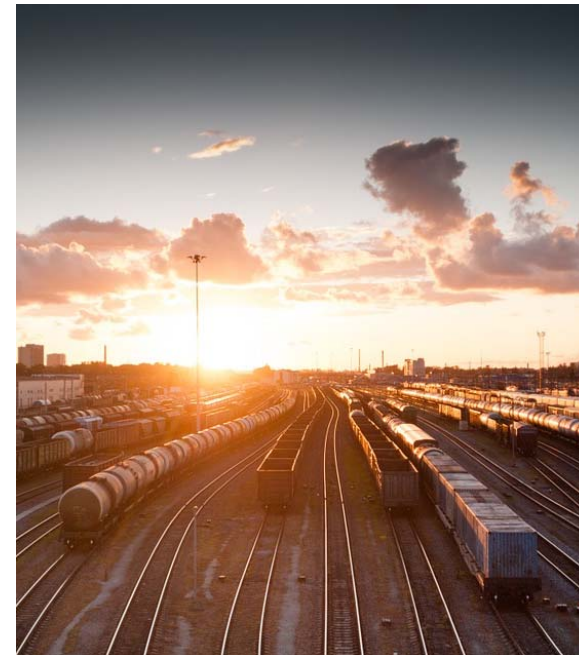




# MOBILE PIPELINE™

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- Low sales through Q2, but order backlog and prospect list point to a healthy recovery in second half
- North American market with positive signals for large scale and emission sensitive applications
- Execution of a large TITAN® order in Latin America in 2016
- Mobile filling stations and industrial applications in Asia targeted with new SMARTSTORE® and TITAN®
- Biogas opportunities starting to emerge in Europe
  - First order taken in United Kingdom





# CNG AUTOMOTIVE

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- US transit bus systems market expected to remain strong for the remainder of the year
- European bus system market expected to pick up after a slow start
- Hexagon Brazil significantly strengthens competitive position for bus projects in the rest of the world
- Healthy refuse truck market expected after a soft Q1
- Other heavy-duty truck relatively flat
- Profitable growth expected from the light-duty segment, with new models being launched late Q3 and 2017 respectively





# LPG CYLINDERS

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- Sound market development in core European markets
  - Increasing penetration in existing and new markets
- Continued traction in markets outside Europe
  - Leading Pan African distributor considering new markets
- Technology investments executed in 2015 significantly improved productivity and have given more than 10% increased capacity
  - Now offering enhanced design and branding options to existing and new customers

→ Business area delivering on growth strategy



# 2020 TOKYO OLYMPICS – LAUNCH OF THE “HYDROGEN SOCIETY“



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- Tokyo Environmental Master Plan 2030\*
  - 200,000 Fuel Cell Vehicles (FCVs)
  - 150 Hydrogen Refueling Stations (HRS)
- Japanese OEMs targeting around 40,000 fuel cell vehicles on the roads for the Olympics in 2020
- Hexagon Composites, Mitsui & Co., Ltd. and Toray Industries, Inc. doing feasibility study of a jointly owned company in Japan for manufacturing and sales of hydrogen cylinders for fuel-cell vehicles (FCVs)



*“The 1964 Tokyo Olympics left the Shinkansen high-speed train system as its legacy. The upcoming Olympics will leave a hydrogen society as its legacy.”*

Tokyo Governor Yoichi Masuzoe

\* The Tokyo Metropolitan Government (TMG)

# FUEL CELL VEHICLES



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**Toyota Mirai\***



**Hyundai Tucson\***



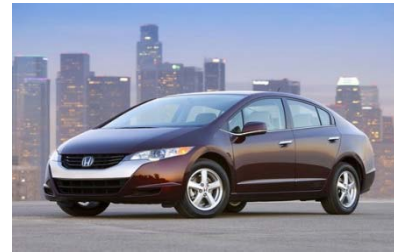
**Mercedes Benz F-Cell**



**Mercedes-Benz F 105**



**Honda FCEV**



**Honda FCX Clarity**



**Volkswagen HyMotion**



**Audi A-7 Sportback**



**Toyota SUV**



**General Motors  
FCEV**



**Nissan TeRRA FCEV**



**BMW Grand Turismo 5**

\* Launched models



# STRATEGIC ALLIANCE WITH MITSUI & CO., LTD.

## MITSUI & CO. KEY FIGURES

|                           |  |
|---------------------------|--|
| Revenue                   | YEN 5,404.9 billion<br>(NOK 373 billion) |
| EBITDA 2015               | YEN 788.3 billion<br>(NOK 54 billion)    |
| Net Profit 2015           | YEN 306.5 billion<br>(NOK 21 billion)    |
| Offices                   | 141                                      |
| Countries                 | 66                                       |
| Subsidiaries              | 279                                      |
| Associated companies      | 166                                      |
| Employees<br>Consolidated | 47,118                                   |
| Mitsui                    | 6,006                                    |





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## QUESTIONS PLEASE

Jon Erik Engeset, CEO  
David Bandele, CFO