



HEXAGON

Q1

OSLO, 9 MAY 2018

JON ERIK ENGESET, CEO  
DAVID BANDELE, CFO

## Disclaimer and important notice

---

This company presentation (the "Presentation") has been prepared by Hexagon Composites ASA ("Hexagon" or the "Company"). The Presentation has not been reviewed or registered with, or approved by, any public authority, stock exchange or regulated market place. The Company makes no representation or warranty (whether express or implied) as to the correctness or completeness of the information contained herein, and neither the Company nor any of its subsidiaries, directors, employees or advisors assume any liability connected to the Presentation and/or the statements set out herein. This presentation is not and does not purport to be complete in any way. The information included in this Presentation may contain certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. None of the Company or its advisors or any of their parent or subsidiary undertakings or any such person's affiliates, officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. The Company and its advisors assume no obligation to update any forward-looking statements or to conform these forward-looking statements to the Company's actual results. Investors are advised, however, to inform themselves about any further public disclosures made by the Company, such as filings made with the Oslo Stock Exchange or press releases. This Presentation has been prepared for information purposes only. This Presentation does not constitute any solicitation for any offer to purchase or subscribe any securities and is not an offer or invitation to sell or issue securities for sale in any jurisdiction, including the United States. Distribution of the Presentation in or into any jurisdiction where such distribution may be unlawful, is prohibited. This Presentation speaks as of 9 May 2018, and there may have been changes in matters which affect the Company subsequent to the date of this Presentation. Neither the issue nor delivery of this Presentation shall under any circumstance create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Company have not since changed, and the Company does not intend, and does not assume any obligation, to update or correct any information included in this Presentation. This Presentation is subject to Norwegian law, and any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Norwegian courts with Oslo City Court as exclusive venue. By receiving this Presentation, you accept to be bound by the terms above.

# Agenda

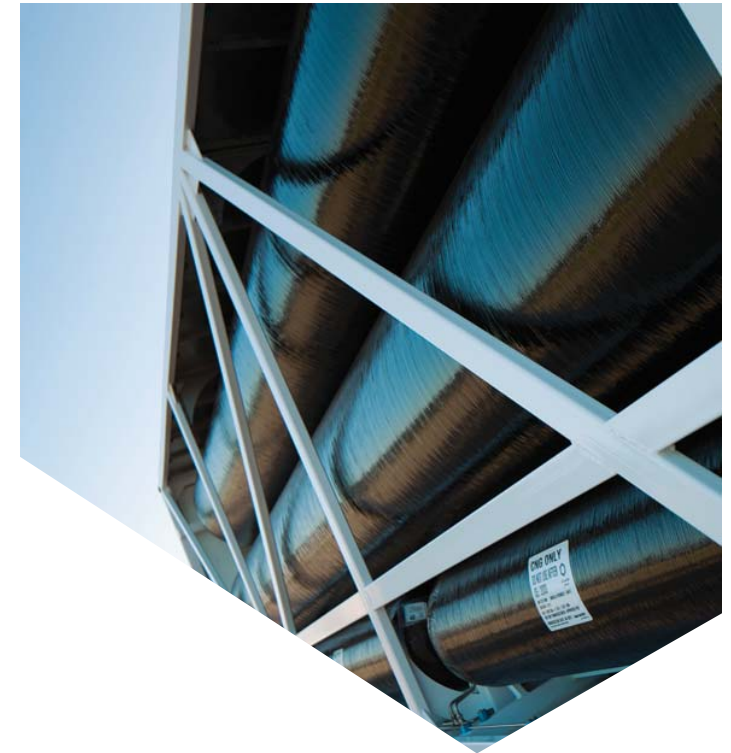
---

- Group highlights
- Group financials & segment overview
- Update on Hydrogen-related investments
- Outlook
- Q & A

## Highlights from Q1 2018

---

- 20% year-over-year growth in group revenues and solid cash generation
  - Best quarterly EBITDA since Q4 2014\*
- Strong Mobile Pipelines volumes in the quarter
  - Highest quarterly revenues since Q4 2014
- Strong LPG volumes
- Solid Hydrogen & Light-Duty Vehicles volumes
- Relatively weak quarter for Agility Fuel Solutions
  - Weakness versus Q1 2017 due to Heavy-Duty Truck order patterns
  - Revenues and profitability have picked-up from Q4 2017
- Joined the prestigious Hydrogen Council
- Dividend proposed and subsequently paid of NOK 0.30 per share



\* Excluding Extraordinary gain impacting Q4 2016 results



HEXAGON

1ST

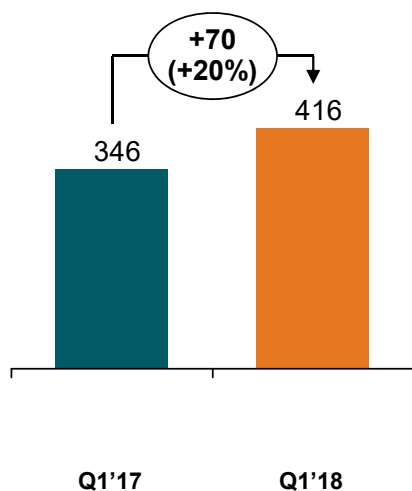
QUARTER 2018

# FINANCIALS

# Financial highlights Q1 2018 | Strong Profitability

## Revenues

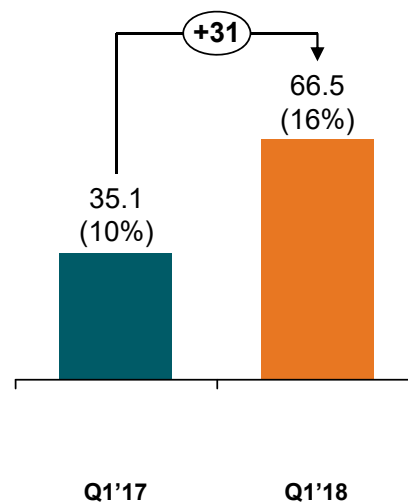
NOKm



- Mobile Pipelines drives growth

## EBITDA

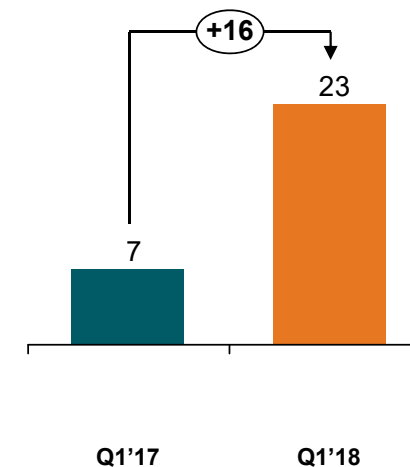
NOKm



- High volumes in Mobile Pipeline and LPG give healthy margin
- Hydrogen dilution 6m negative in quarter

## Net profit

NOKm



- Currency effects 6m negative year over year
- Tax charges higher by 9m year over year, from higher profit level

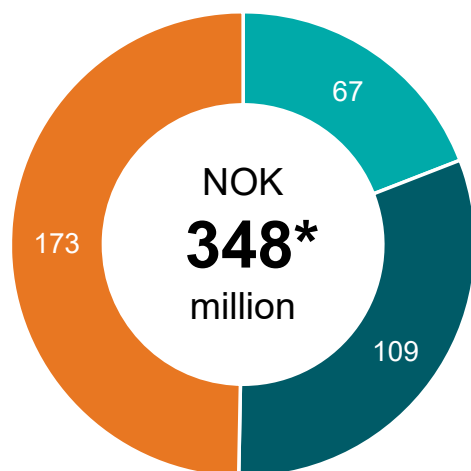
## Q1 2018 Group income statement

NOK MILLION	QUARTER			FULL YEAR
	Q1 2018	Q1 2017	Variance	2017
<b>Operating Income</b>	<b>416.3</b>	<b>346.2</b>	<b>70.0</b>	<b>1 429.4</b>
Operating expenses	(349.7)	(311.1)	(38.6)	(1 255.4)
Exceptional Gains	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>66.5</b>	<b>35.1</b>	<b>31.4</b>	<b>174.0</b>
Depreciation on tangibles	(13.2)	(13.3)	0.1	(52.4)
Amortisation and impairment	(6.0)	(5.1)	(0.9)	(22.3)
<b>EBIT</b>	<b>47.3</b>	<b>16.6</b>	<b>30.7</b>	<b>99.3</b>
Share of profit/(loss) from associates	(0.9)	(1.3)	0.4	(3.0)
Amortisation of associates intangibles	(3.2)	(3.5)	0.2	(13.6)
Other financial items (net)	(11.9)	(5.7)	(6.3)	(34.4)
<b>Profit/(loss) before tax</b>	<b>31.3</b>	<b>6.3</b>	<b>25.0</b>	<b>48.2</b>
Tax expense	(8.2)	1.0	(9.2)	21.0
<b>Profit/(loss) after tax</b>	<b>23.1</b>	<b>7.2</b>	<b>15.8</b>	<b>69.3</b>
<i>EBITDA %</i>	16.0 %	10.1 %		12.2 %
<i>EBIT %</i>	11.4 %	4.8 %		6.9 %
<i>NET PROFIT / (LOSS)%</i>	5.5 %	2.1 %		4.8 %

# Segment shares Q1 2018 | Before Group eliminations\*

## Operating income Q1'17

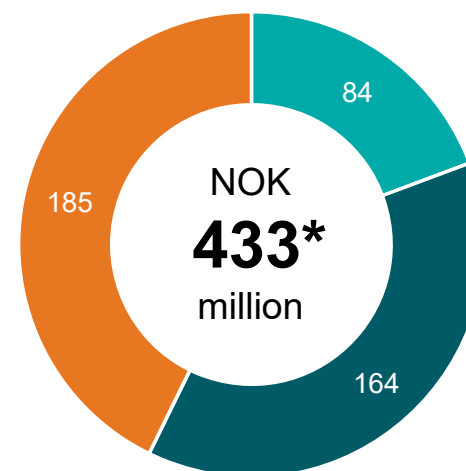
*NOKm, before group eliminations  
2017 = Pro-forma*



- Hexagon Hydrogen & Light-Duty Vehicles
- Hexagon Mobile Pipeline® & Other
- Hexagon Ragasco LPG

## Operating income Q1'18

*NOKm, before group eliminations*



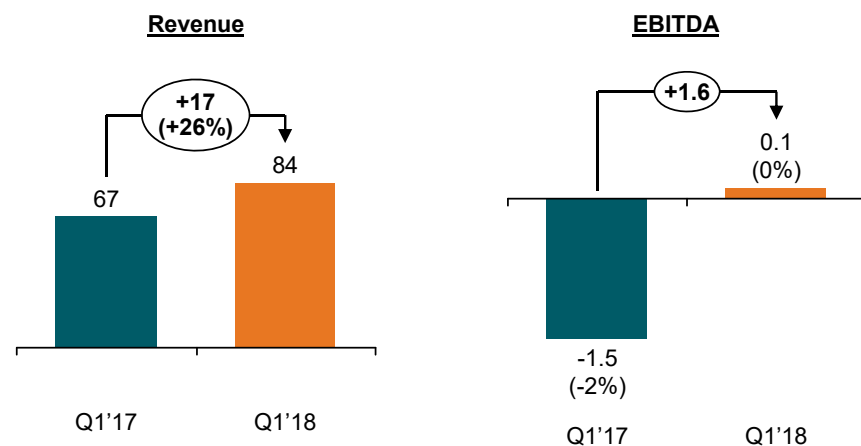
- Hexagon Hydrogen & Light-Duty Vehicles
- Hexagon Mobile Pipeline® & Other
- Hexagon Ragasco LPG

# Segment financial highlights Q1 2018

## Hexagon Hydrogen & LDV



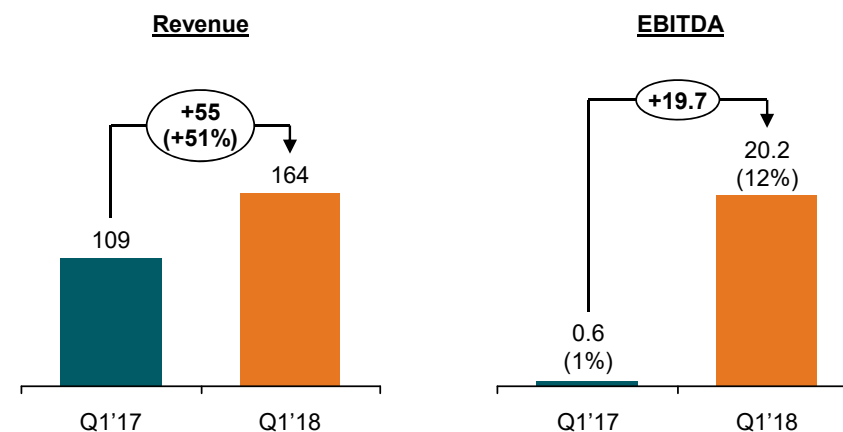
NOKm. Note: 2017 = Pro-forma



## Hexagon Mobile Pipeline & Other



NOKm. Note: 2017 = Pro-forma



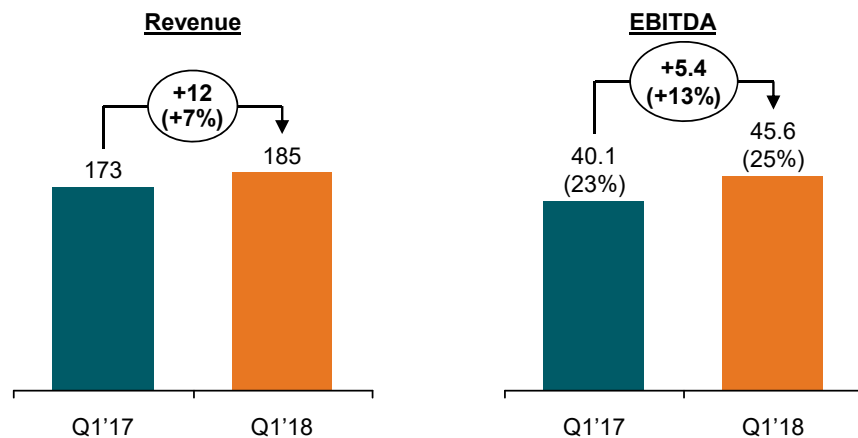
- Good growth in CNG powered Light-Duty Vehicles
- Lower Hydrogen product revenues, instead FCEV development revenues based on progress
- Investing in future growth in Hydrogen is dilutive

- 51% year-over-year growth driven by North American Mobile Pipeline® sales
- High volume generates scale efficiencies

# Segment financial highlights Q1 2018

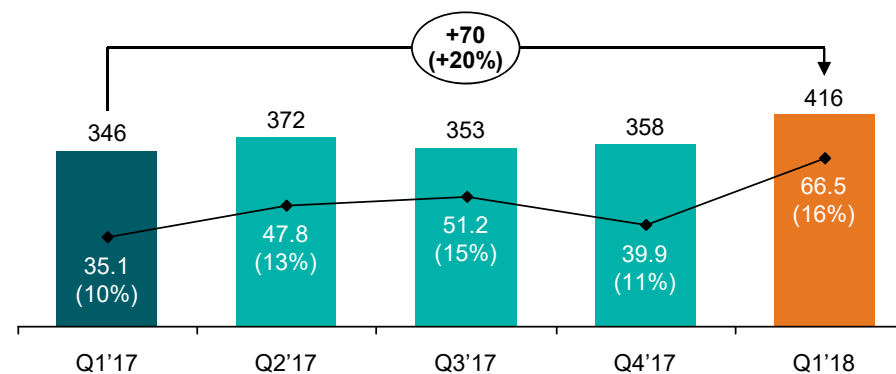
## Hexagon Ragasco (LPG)

NOKm



## Hexagon Group total<sup>1</sup>

Revenues, EBITDA and EBITDA margin  
NOKm



- Revenues primarily from core European and Middle East markets
- Plant efficiencies high due to high volumes

- Significant Margin up-swing when LPG and Mobile Pipeline volumes are both strong

<sup>1</sup> After all eliminations

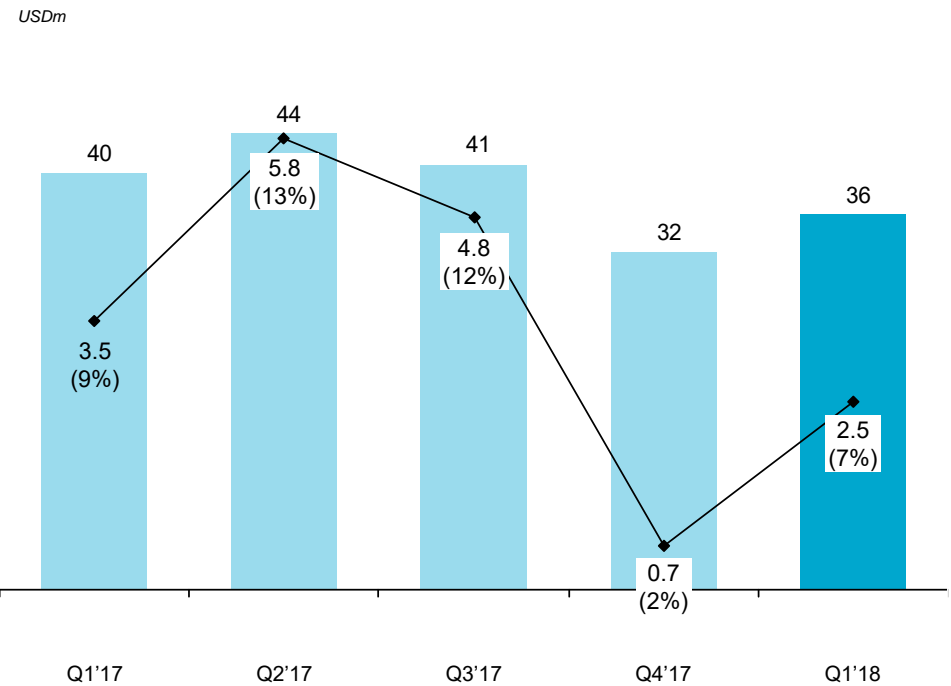
# Agility Fuel Solutions: Q1 2018

## Business Operating results



- Improved revenues and margin after weak Q4 2017
  - Driven by strong transit bus revenues
- Continued slow Heavy-Duty Truck volumes in quarter
  - Order patterns disrupted by delayed launch of new near-zero 12L engine
- Solid Refuse Truck sales
  - Continued upward trend in 2018 over 2017
- Powertrain Systems (propane) on track to business plan
- Good Liquidity
  - Fully-funded

### Revenues and adjusted EBITDA



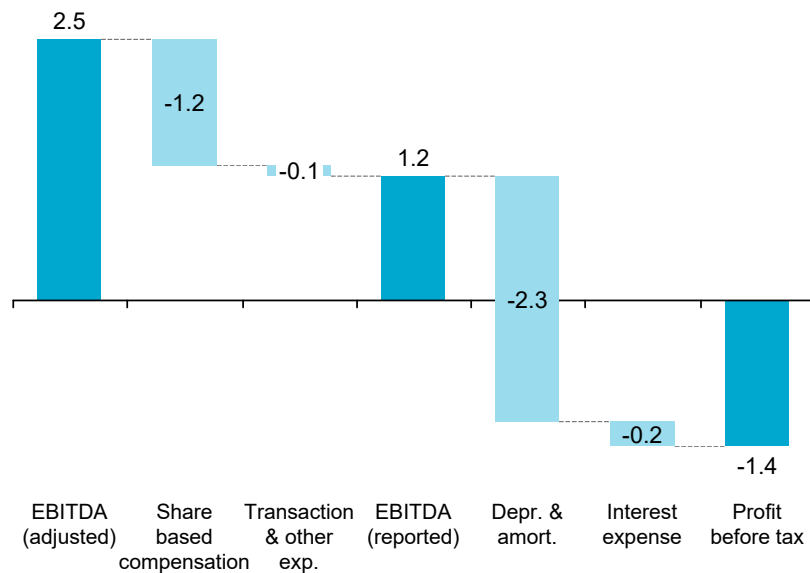
# Agility Fuel Solutions: Q1 2018

## Result to Hexagon Group per equity accounting method



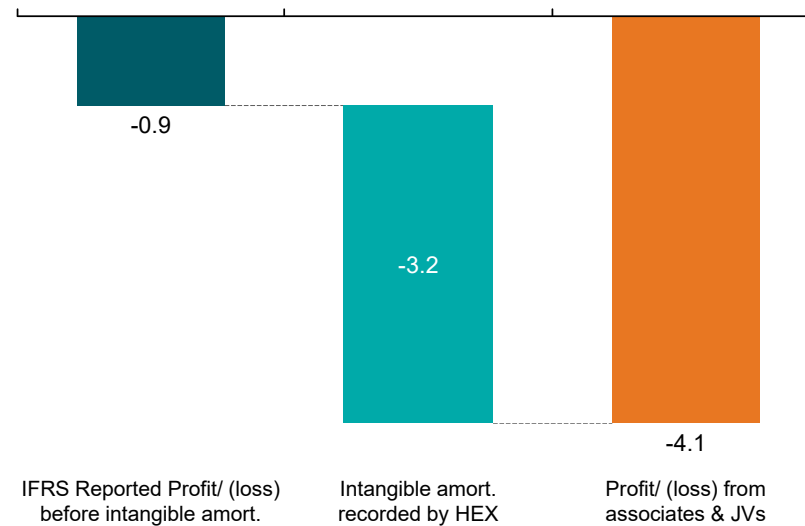
### Q1 2018 AFS EBITDA to profit before tax

USDm



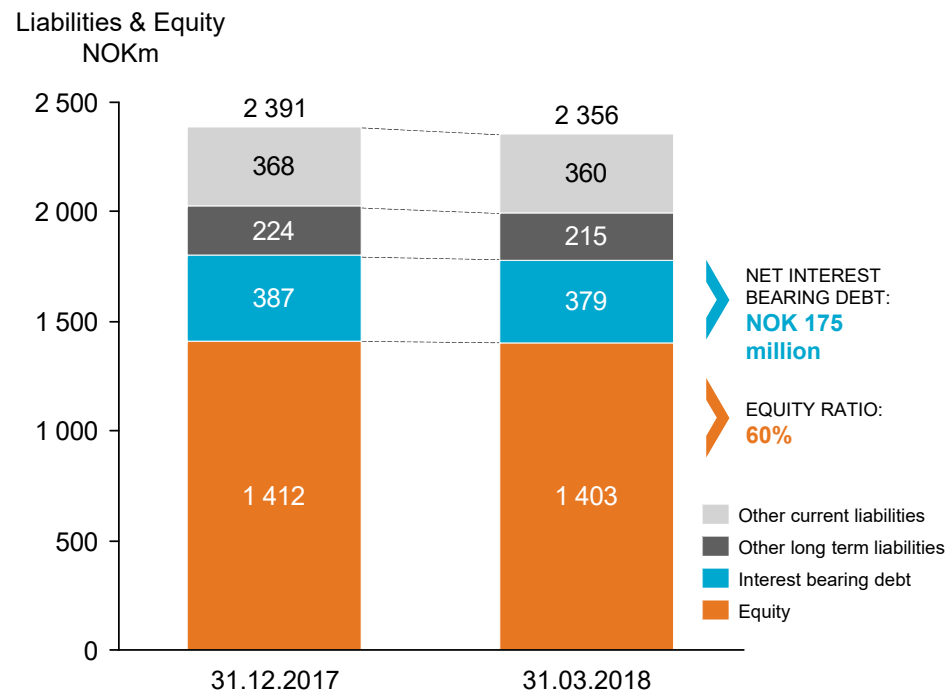
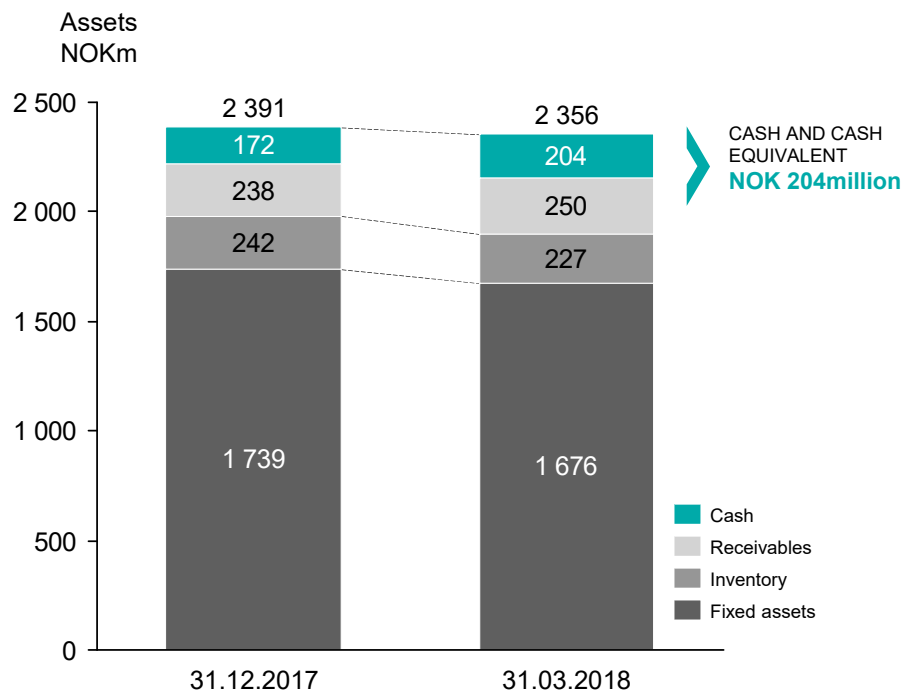
### Agility impact to Group P&L

NOKm



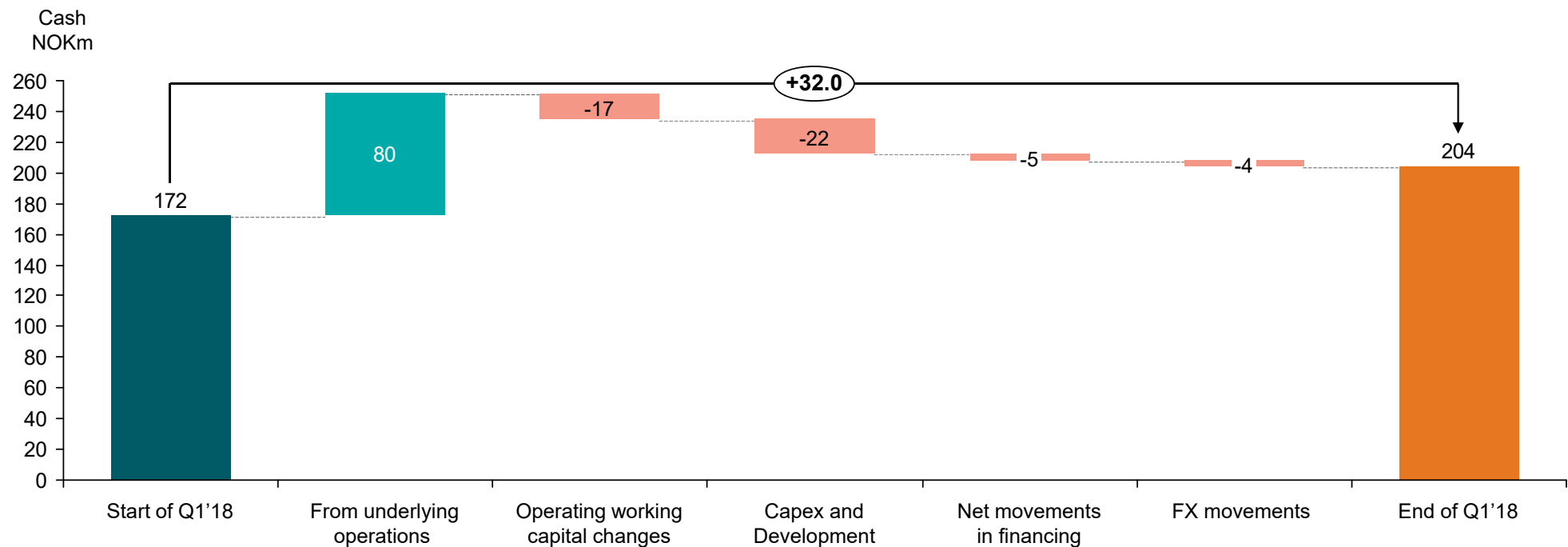
# Balance sheet | Q1 2018 vs Q4 2017

NOK 175m Net Interest Bearing Debt & 60% Equity Ratio



**Strong Balance sheet**

# Group cash movements Q1 2018



**Strong contribution from underlying operations more than covers capex and development**



HEXAGON

# Update on Hydrogen related investments

## Our position on the Hydrogen opportunities

---

- 1** The transition to cleaner energy, supported by public and private players, is happening now...

---

- 2** ...driving game-changing opportunities especially within Hydrogen...

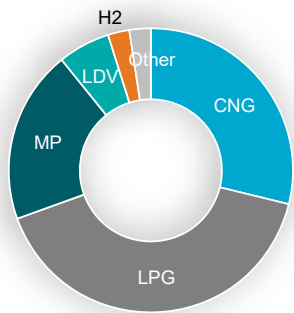
---

- 3** ...and we are focusing investments in 2018-2020 for attractive future returns

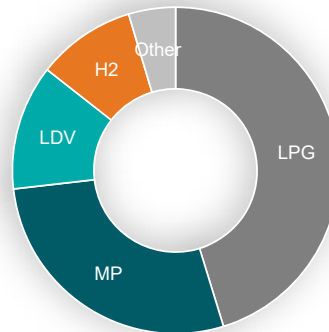
# The cleaner energy transition will shape and transform Hexagon Composites' growth-path

Share of group revenue before eliminations (illustrative)

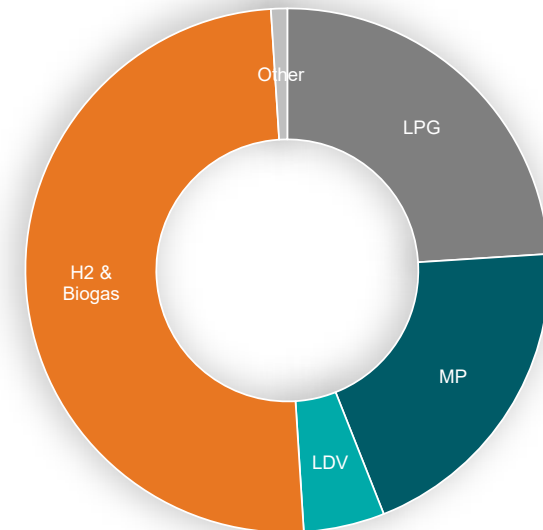
2016



2017



2025

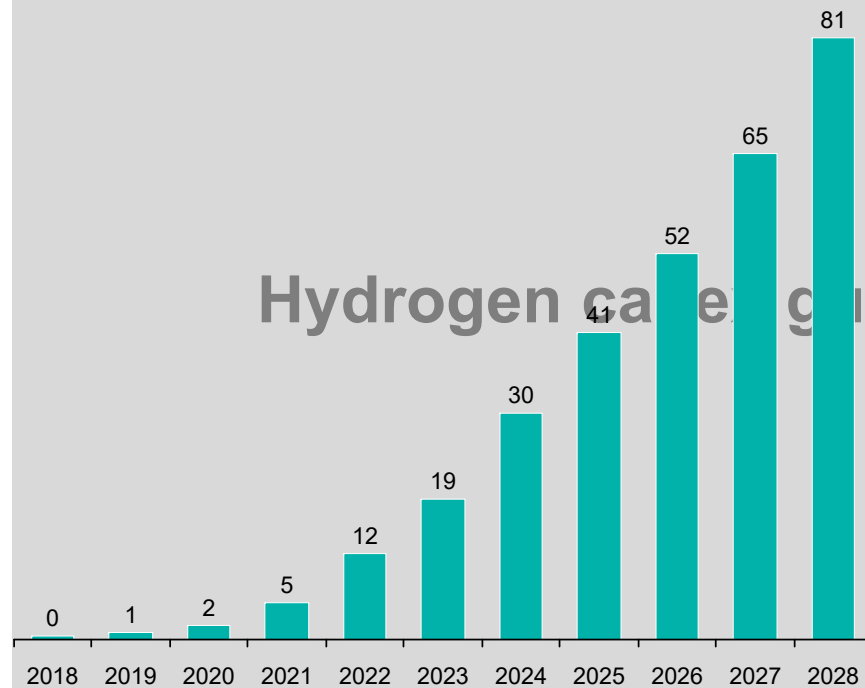


**The total pie is expected to grow substantially;  
Hydrogen and Biogas expected to increase significantly in relative share**

# Hydrogen capex guiding as per Q4'17 presentation...

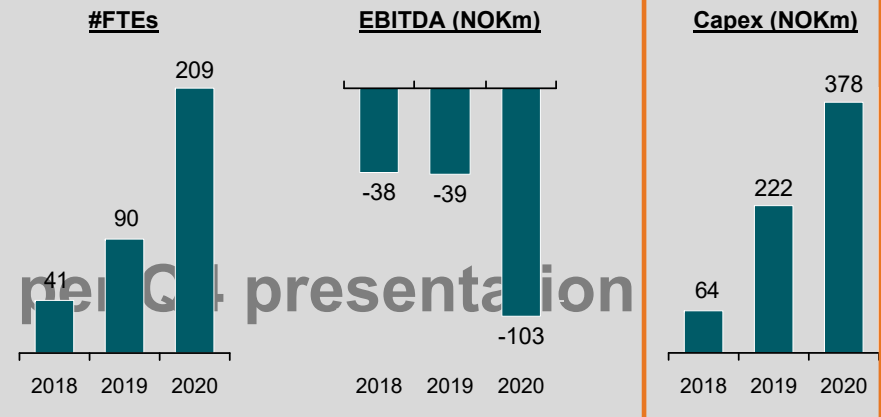
## Total market potential (NOKbn)

• NOK:USD @ 8.00



## Hexagon Hydrogen

• NOK:USD @ 8.00



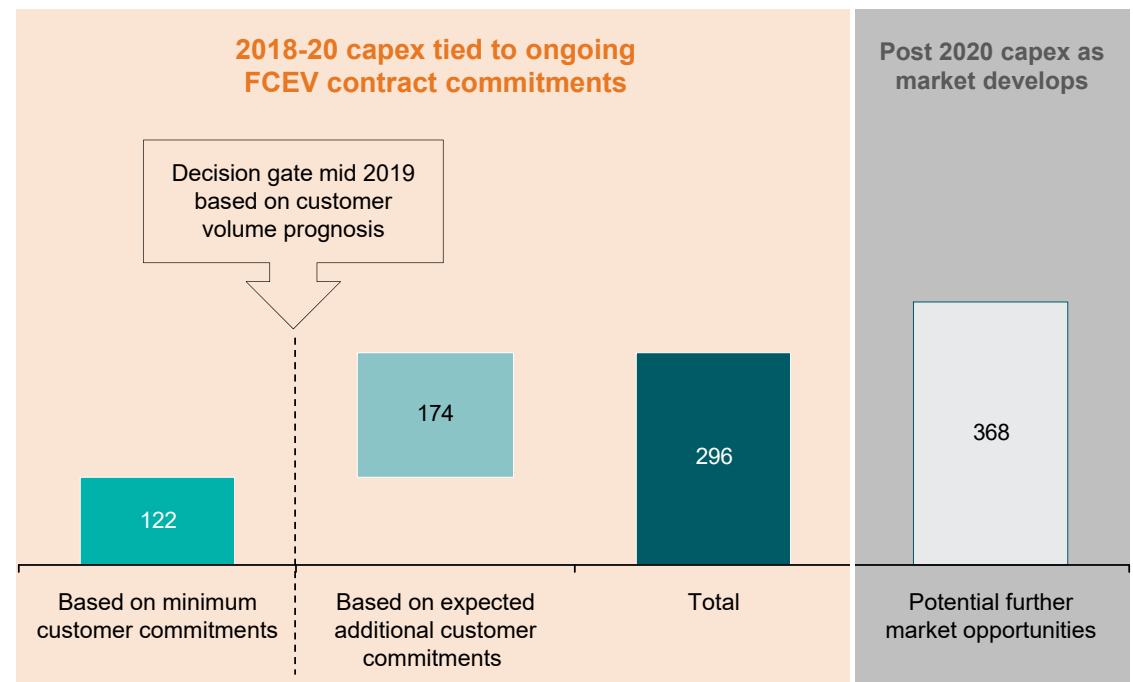
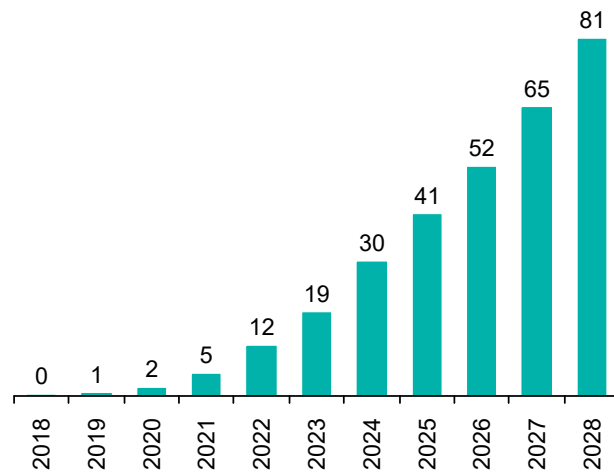
**2018-2020 is a period of significant investment to pursue the Hydrogen opportunity and maintain market leadership**

# Investments in 2018-20 for attractive future returns

Updated view

## Total market potential

• NOK billion (NOK:USD @ 8.00)



Note: NOK million, NOK:USD @ 8.00

**Planned Hydrogen capex 2018-2020 is fully funded by expected cashflows from other business areas**



HEXAGON

# OUTLOOK

## Favorable Macro Conditions

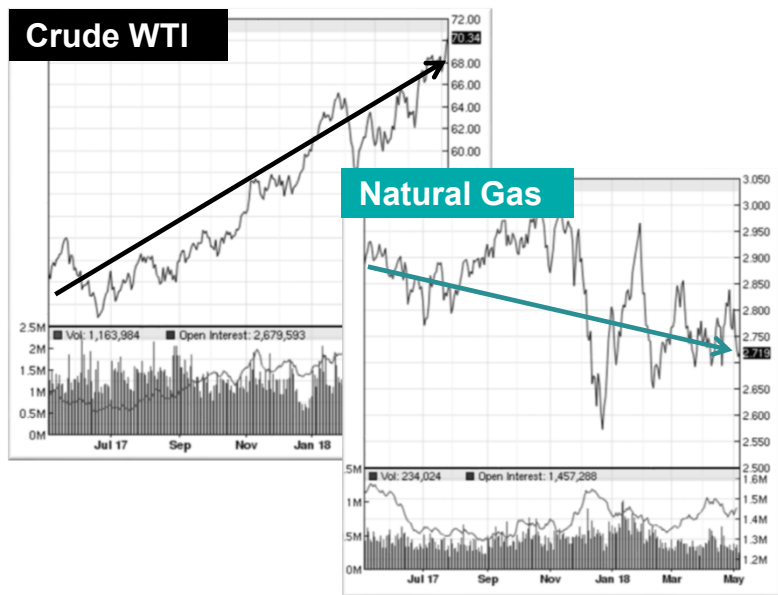
---

- Higher oil prices
- Widening delta between diesel and natural gas
- Rapidly growing momentum for alternative energy
- Natural gas and biogas key to achieve emission goals



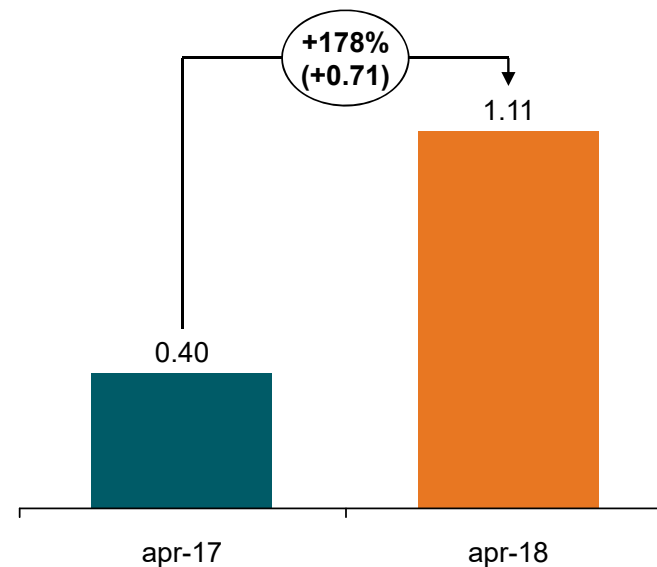
# Fuel price spread has become significantly more favorable

## Price development last 12 months



## Diesel vs CNG fuel price spread (retail)

USD per diesel gallon equivalent



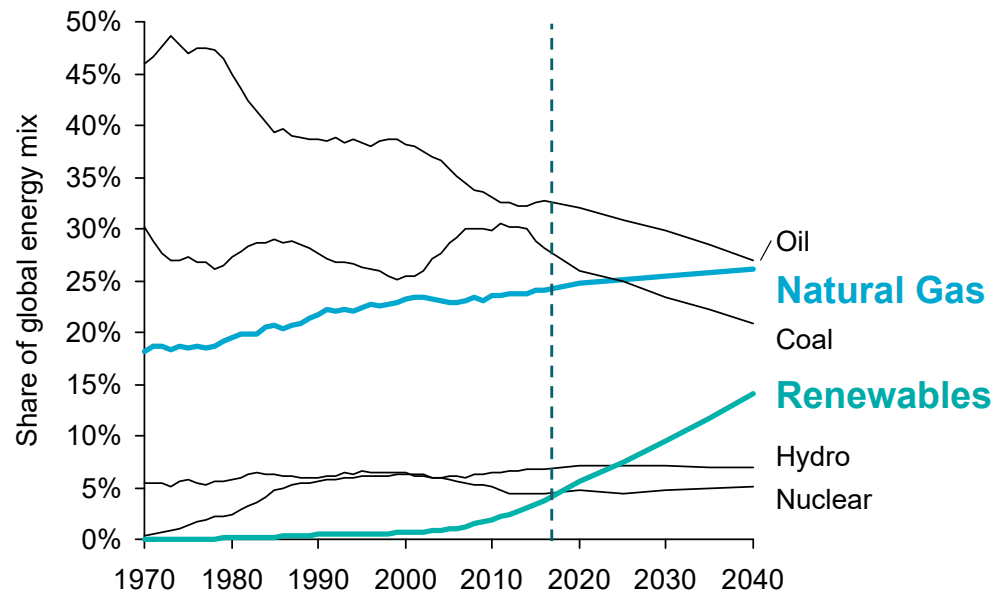
**Oil price drives fuel price spread in favor of CNG**

Sources: EIA, NYMEX, cngprices.com, Agility Fuel Solutions, Hexagon Composites

# No solution without increased use of gases

## Global shares of primary energy

Chart source: BP Energy Outlook, 2018 edition



Renewables & Natural Gas are expected to continue increasing their share of the global energy mix

**+1.6%**  
Natural gas fastest growing fossil fuel<sup>1</sup>

**+7%**  
Renewables the fastest growing energy source<sup>1</sup>

<sup>1</sup>Growth p.a

# The Hydrogen Council's views

## Potential decisive shift in deployment of hydrogen technologies the next 5-10 years\*

- Contribute to meeting **18%** of the world's energy demands,
- Avoiding **6 gigatons of CO2** emissions
- Creating a market with revenues of **USD 2.5tn** annually, and
- Providing **30 million jobs** by 2050
- Power about **10-15 million** cars and **500,000** trucks by 2030

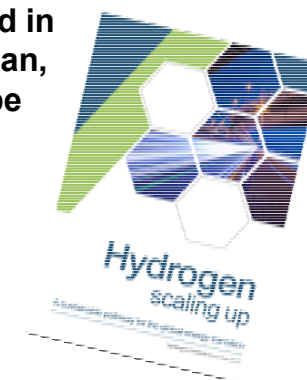
## Hydrogen Council hydrogen vision for 2050



Source: Hydrogen Council; IEA ETP Hydrogen and Fuel Cells CBS; National Energy Outlook 2016



“In 2030, 1 in 12 cars sold in California, Germany, Japan, and South Korea could be powered by hydrogen.”

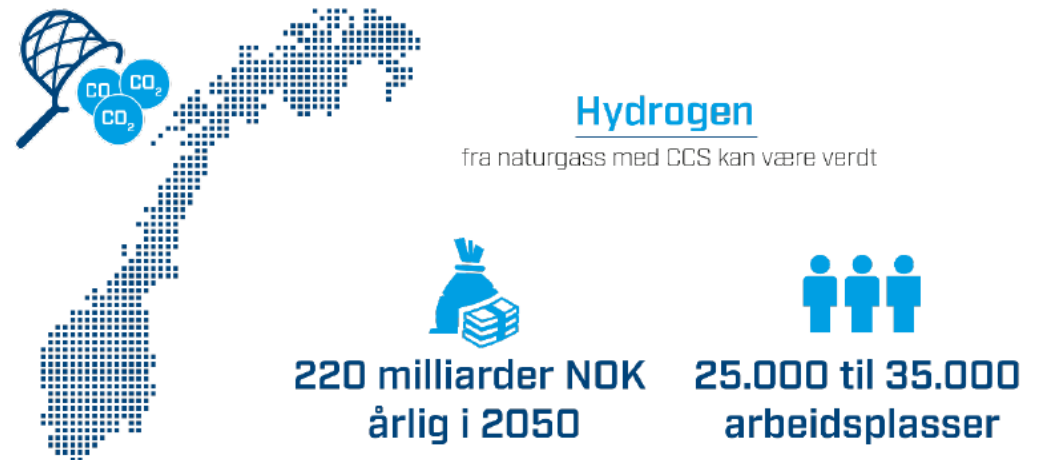


\* Hydrogen: Scaling Up, The Hydrogen Council, 2017

## Carbon Capture and Storage (CCS) back on the agenda

Hydrogen production from Norwegian natural gas with CCS in 2050<sup>1</sup>:

- **750 TWh** of clean energy annually
- Annual sales of **NOK 220bn**
- **25,000-35,000 jobs**



Source: "Industrielle muligheter og arbeidsplasser ved storskala CO<sub>2</sub>-håndtering i Norge" by SINTEF and NTNU, for NHO, LO, Felles-forbundet, Norsk Industri, Norsk Olje og gass and Industri Energi

<sup>1</sup> Estimates for a full scale project in Norway

# International Maritime Organization (IMO) committed to reducing CO2 emissions by 50% by 2050



- Maritime transport emits around 1 billion mt of CO2 annually – about 2.5% of global GHG emissions
- The start of a major shift to alternative fuels
- First Hexagon delivery of CNG Mobile Pipeline® tanks to compress and store boil-off-gas from LNG tanks



CASUALTIES [See all articles](#)

LATEST JOBS

Hotel Engin



IMO secretary-general Kitack Lim at the Germany's 10th National Maritime Conference in Hamburg Photo: The Federal Ministry of Transport and Digital Infrastructure

## IMO reaches historic CO2 reduction deal

Shipping must cut carbon emissions by 50% by 2050 and improve efficiency

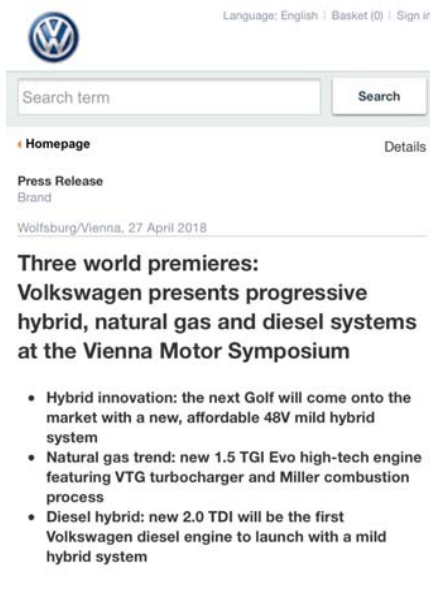
TradeWinds 13 April 2018



# Hydrogen & Light-Duty Vehicles

# CNG Mobility from Volkswagen

## VW presenting new natural gas high-tech engine TGI 1.5 Evo



Language: English | Basket (0) | Sign in

Search term  Search

Homepage Details

Press Release  
Brand

Wolfsburg/Vienna, 27 April 2018

### Three world premieres: Volkswagen presents progressive hybrid, natural gas and diesel systems at the Vienna Motor Symposium

- Hybrid innovation: the next Golf will come onto the market with a new, affordable 48V mild hybrid system
- Natural gas trend: new 1.5 TGI Evo high-tech engine featuring VTG turbocharger and Miller combustion process
- Diesel hybrid: new 2.0 TDI will be the first Volkswagen diesel engine to launch with a mild hybrid system

27 April 2018

## VW's SEAT is pushing CNG technology



VOLKSWAGEN AKTIENGESELLSCHAFT

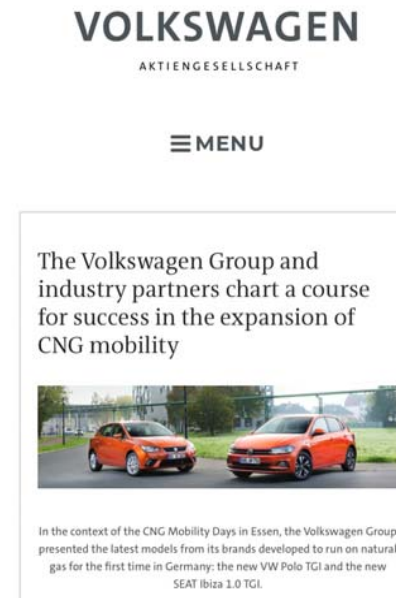
## News

### Luca de Meo: "SEAT will develop CNG technology for the Volkswagen Group"

- Inauguration of the 6th GASNAM Congress
- "We must reinforce the infrastructure and assume the challenge among all of us to install 300 gas stations in Spain until 2020", the President of SEAT emphasised
- When refuelling, Compressed Natural Gas results in a savings of 55% compared

11 April 2018


## VW and industry partners driving CNG mobility



VOLKSWAGEN AKTIENGESELLSCHAFT

MENU

### The Volkswagen Group and industry partners chart a course for success in the expansion of CNG mobility




In the context of the CNG Mobility Days in Essen, the Volkswagen Group presented the latest models from its brands developed to run on natural gas for the first time in Germany; the new VW Polo TGI and the new SEAT Ibiza 1.0 TGI.

21 February 2018

## CNG Light-Duty Vehicles

- VW experiencing triple digit growth in Germany for its CNG model sales
    - CNG environmental value proposition enhanced by biogas and e-gas\*
  - Volkswagen launching new CNG engine in 2020
  - SEAT, Spain, aiming at 300 gas stations by 2020 and 1 mill LDVs sold by 2030
- Double digit growth expected for 2018, with further acceleration from 2019 onwards

✕ CNG NewRegs Germany in April high again - 9 mont...  

### CNG NewRegs Germany in April high again - 9 month consecutive rise -

Utgitt den 5. mai 2018

 **Stephen Neumann**  
Volkswagen Group Technology Strateg...  Følger

For all of you who are curious to know: New-Regs "CNGs" in Germany in April raised again around 10% compared to March numbers. Volkswagen AG with a market share of

> 95%!

KBA is publishing CNG+LPG numbers as total - KBA needs to change that!

More to come in the next days..... stay tuned!

LinkedIn post by Stephen Neumann, Volkswagen Group Technology Strategy and Management - Technology Projects, 5 May 2018

**“The good thing about CNG technology is that it already exists, which means that there is no need for major investments and it can be widely offered to customers. (...) CNG is not just a bridge technology, but a real long-term alternative.”**

- SEAT President Luca de Meo, 11 April 2018

\* e-gas (renewable CNG) based on methane obtained from wind, solar, hydropower or biomass power generation processes

# Hydrogen

- Hydrogen Light-Duty Vehicle programs well under way
    - Engineering intensive
    - Start of serial production in 2<sup>nd</sup> half of 2018
  - Hydrogen distribution segment temporarily soft
    - Expected to pick up strongly towards end of year
- Resumed growth expected in second half of 2018 while ramping up for 2020 onwards



X-STORE® 45ft trailer for hydrogen distribution

# Mobile Pipelines



## Mobile Pipelines

- First US Mobile Pipeline® delivery to biogas plant
    - Transporting Renewable Natural Gas (RNG) from farm to pipeline
  - TITAN® 53 to be launched in Q3
    - Targeting 65-80,000 lbs segment
    - Optimized solution for certain regions with weight restrictions
  - Developing “pipeline integrity” segment
    - Backup capacity during pipeline down time
  - Mobile Pipelines connecting “stranded communities” and facilities to the gas grid
  - North American shale oil & gas segment very active
  - Lots of promise but still slow project flow outside North America
- Strong overall market outlook short and long term
- Fluctuations between quarters still to be expected



Delivering TITAN® trailers to Compass Natural Gas at a total value of approx MNOK 33  
Photo: Compass Natural Gas

LPG



# LPG

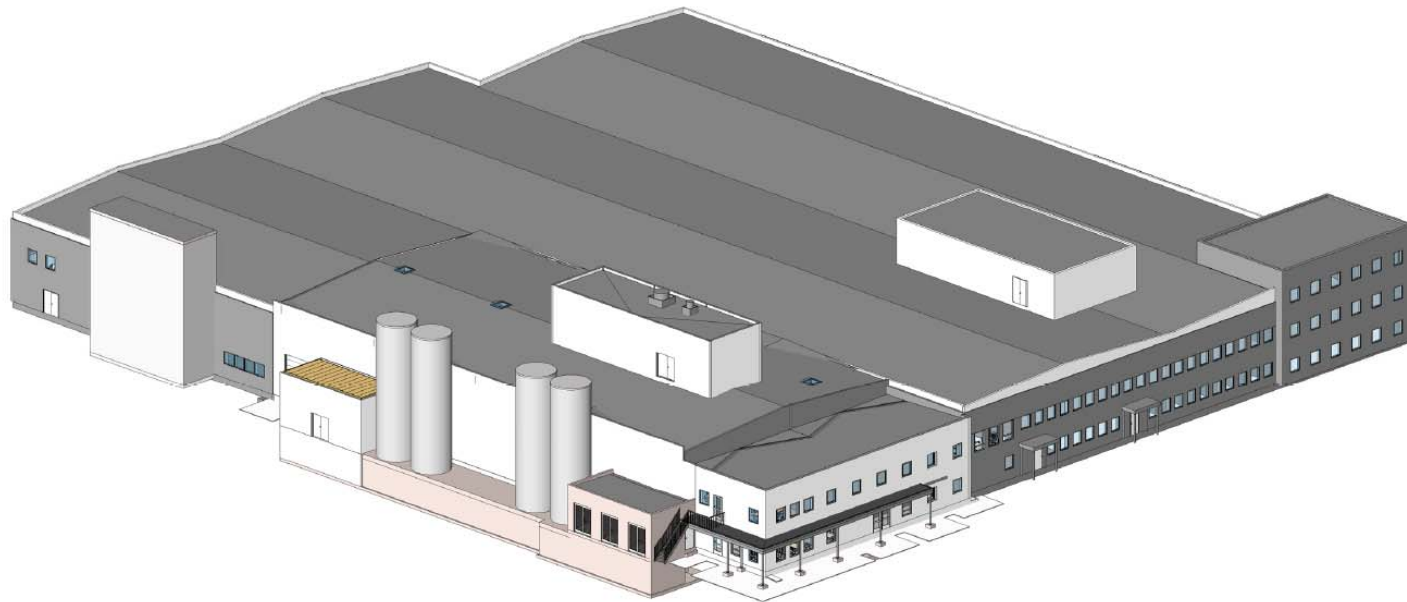
- Robust recurring European market
  - User-friendliness and safety drive demand in the Middle East
  - Growing repeat orders from “coastal” customers due to non-corrosive features
  - New drive to open the US market
    - Underway in Florida, expanding to California in Q2
- Positive momentum continues into Q2. Promising prospects for second half of 2018



Propane Ninja in Florida (US) launched the composite LPG bottle in Q1 2018

## MNOK 75 expansion program on track

Building expansion at the facility at Raufoss (Norway)  
for completion by the start of 2019



**Investing in processes and technologies to further  
enhance manufacturing efficiency and product differentiation**

A high-angle, perspective shot of a vast warehouse filled with rows of blue industrial gas cylinders. The cylinders are neatly stacked on wooden pallets, creating a strong sense of depth and repetition. The lighting is dramatic, with bright highlights on the cylinders and deep shadows in the aisles. The text "Agility Fuel Solutions" is overlaid in white on the left side of the image.

# Agility Fuel Solutions

## Agility Fuel Solutions

- Agility has become a full range supplier of alternative fuel solutions, adding;
    - Hydrogen storage systems for trucks
    - Battery electric
    - CNG and battery electric hybrid
  - Continued positive outlook for both refuse and transit bus sales
  - Cummins Westport's near-zero emissions natural gas engine now available and first sales in Q2
    - Heavy-Duty truck sales outlook stronger through to 2019
    - Positive impact from fuel price spread will probably lag
- Industry sentiment very positive with CNG/RNG/EV hybrid seen as essential within US transport fuel-mix



The walk-in step van manufactured by Freightliner and powered by Agility's CNG powertrain system  
Photo: Steven Martinez

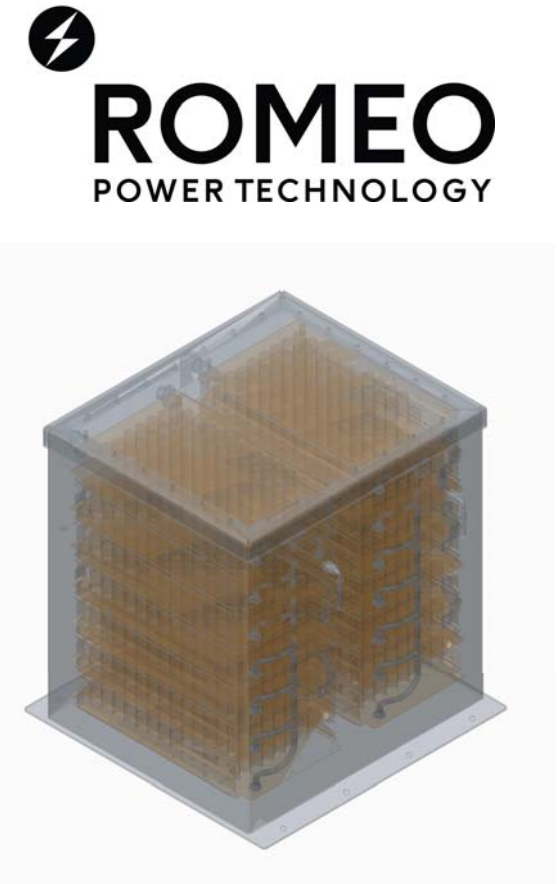


Kenworth displays a prototype CNG Hybrid at ACT Expo; Cummins-Westport Near Zero engine and Agility CNG fuel system

## Agility partner with Romeo Power Technology for modular battery packs



- Agility and Romeo Power Technology partner to provide modular battery packs for commercial vehicles
- Romeo Power Technology – energy storage technology company
  - Founded by engineers and designers from SpaceX, Tesla, Amazon and Samsung
- Custom-designed battery modules
  - Combining battery technology with hydrogen and CNG solutions



Romeo Power Technology

## Outlook – Summary

---

- LPG
  - Full capacity utilization 1<sup>st</sup> half
  - 2<sup>nd</sup> half focus on matching record year of 2017
- Mobile Pipelines
  - Non-linear but overall strong year-over-year growth expected in 2018
- Hydrogen and Light Duty Vehicles (LDV)
  - Good outlook for LDV
    - Double digit topline growth expected
  - Broad range of Hydrogen opportunities with focus on OEM development contract milestones
    - Diluting EBITDA short term
    - Non-linear revenue recognition
- Agility Fuel Solutions
  - Healthy medium duty truck, refuse truck and transit bus markets
  - Recovery in heavy-duty long haul truck market beginning already in Q2 2018, earlier than previously expected
    - Oil price > USD 70 and launch of near zero emission 12L Cummins Westport Natural Gas engine will give positive momentum

**Market development is strong in all segments. Quarterly profits will continue to fluctuate.  
Dilutive EBITDA effect from Hydrogen**



HEXAGON

## Questions Please

---

Jon Erik Engeset, CEO

David Bandele, CFO