



HEXAGON  
COMPOSITES

**2<sup>nd</sup>**

# QUARTER 2013

HALF YEAR INTERIM REPORT 2013

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*Oslo, 22 August 2013*

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Tor Olsen Husø, CFO  
Jon Erik Engeset, Group President & CEO

# AGENDA

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- Hexagon Composites overview
- Key figures
- Business units
- Group financials
- Summary and outlook
- Q & A

# THIS IS HEXAGON COMPOSITES



HEXAGON  
COMPOSITES



HEXAGON  
RAGASCO



Rugasco

RUGASCO (49/51)



HEXAGON  
LINCOLN



HEXAGON  
RAUFOSS



HEXAGON  
DEVOLD

HEXAGON DEVOLD LITHUANIA UAB  
HEXAGON DEVOLD USA LLC

## COMPOSITE CYLINDERS

LPG cylinders for households, catering  
kitchens, leisure activities and  
forklift trucks



## HIGH-PRESSURE CYLINDERS

High-pressure CNG cylinders for  
vehicles and bulk transport



## COMPOSITE REINFORCEMENTS

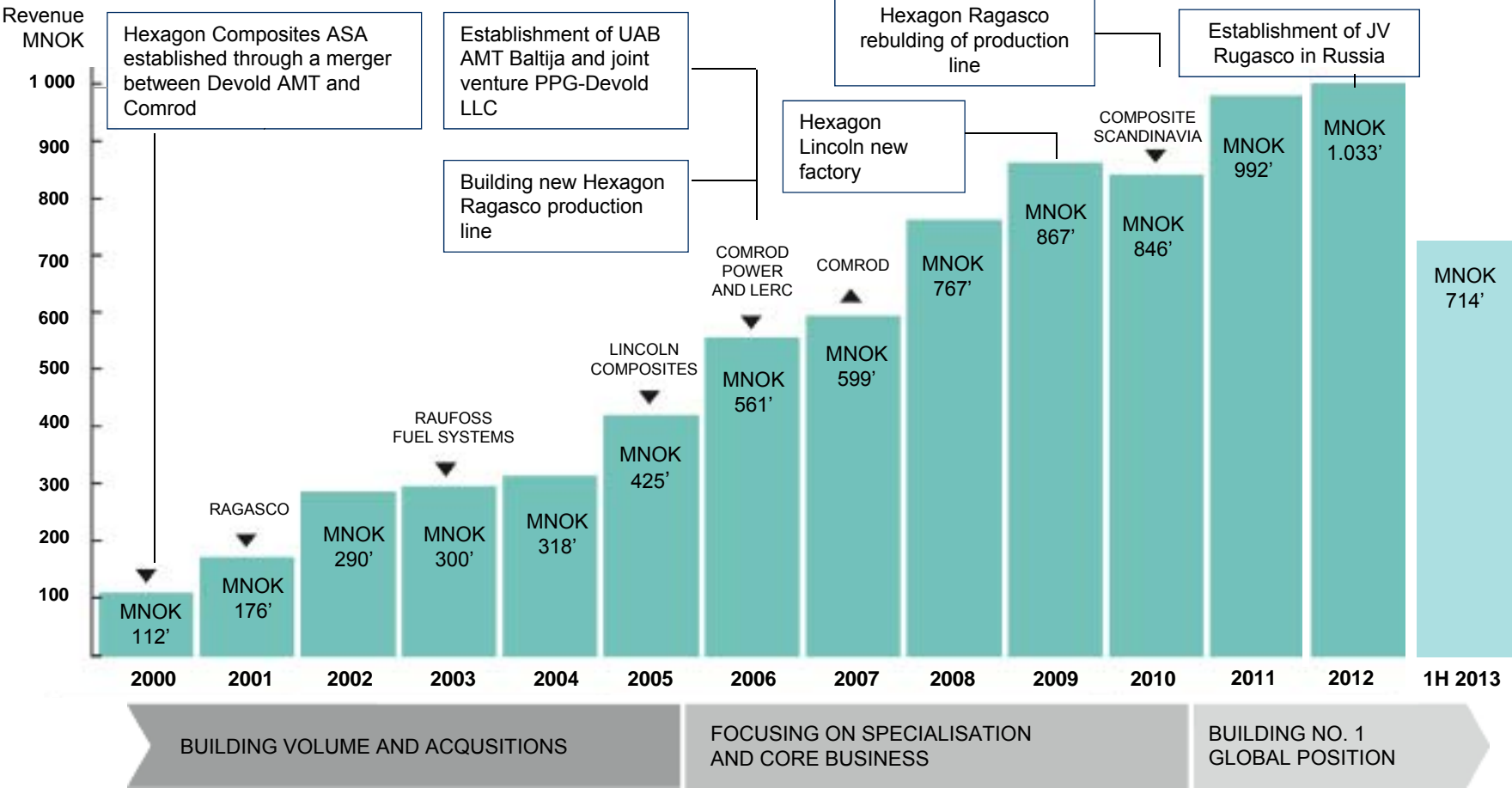
For lightweight constructions



# SOLID EXPERIENCE IN A GROWING INDUSTRY



HEXAGON  
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# STRONG TOP LINE RESTRUCTURING YIELDS RESULTS

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- Solid foundation:
  - Increasing capacity utilization
  - Production efficiency
  - Product quality focus in all production units
  - Sales and marketing focus
- Strategically positioned to maintain and strengthen our established market positions in the years ahead
- Proactive approach to build the organization parallel to the strong growth

# HIGHLIGHTS Q2 2013

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- Overall revenue growth
- Positive results in all business units
- Significant improvement compared to Q2 2012
- Continued strong market demand for high-pressure cylinders to the North American market
- Continued challenging European markets for Hexagon Raufoss
- Planning to invest NOK 150 million in Lincoln
- Successful placement of unsecured bond issue of NOK 300 million.

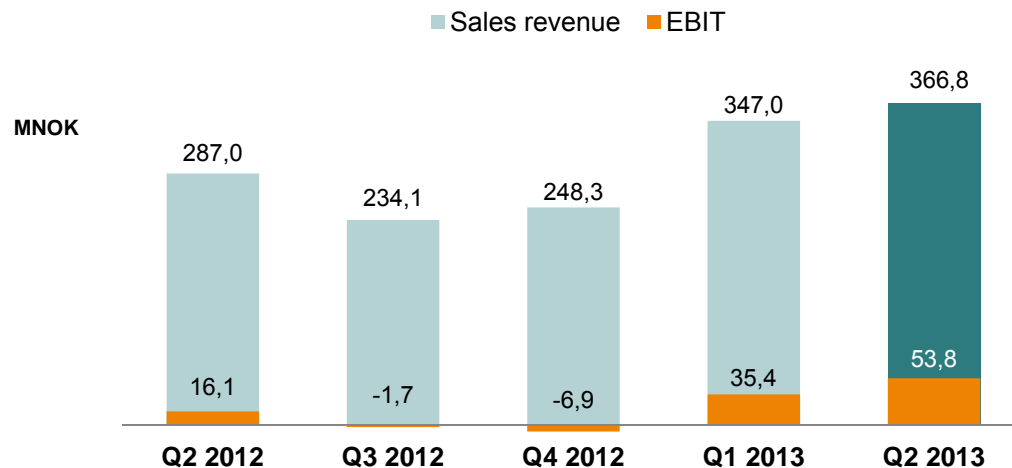


# GROUP KEY FIGURES

	Q2 2012	Q1 2013	Q2 2013
Sales revenue	286 969	347 017	<b>366 760</b>
EBITDA	31 322	51 852	<b>71 465</b>
EBIT	16 140	35 441	<b>53 795</b>
EBIT %	5,6 %	10,2 %	<b>14,7 %</b>

	First half year 2012	First half year 2013
Sales revenue	550 567	<b>713 777</b>
EBITDA	66 194	<b>123 047</b>
EBIT	33 092	<b>89 236</b>
EBIT %	6,0 %	<b>12,5 %</b>

Sales revenue and EBIT last quarters



## Q2 Operating results

- Overall revenue growth and positive operating results in all business units
- Overall increased sales compared to Q2 2012 (+28 %) and a minor increase compared to Q1 2013
- Improved EBIT due to:
  - Satisfactory operations
  - Continued growth in the High-pressure area



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COMPOSITES**

# **SEGMENT RESULTS**

# COMPOSITE CYLINDERS Q2

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- Continued positive development
- Sales revenue according to expectations
- Good seasonal sales driven by the European market – additional orders received
- Key to increased sales depends on new contracts in the Middle East and Asia, yet to be established at a satisfactory level
- Official opening of the production facility at Rugasco in Russia



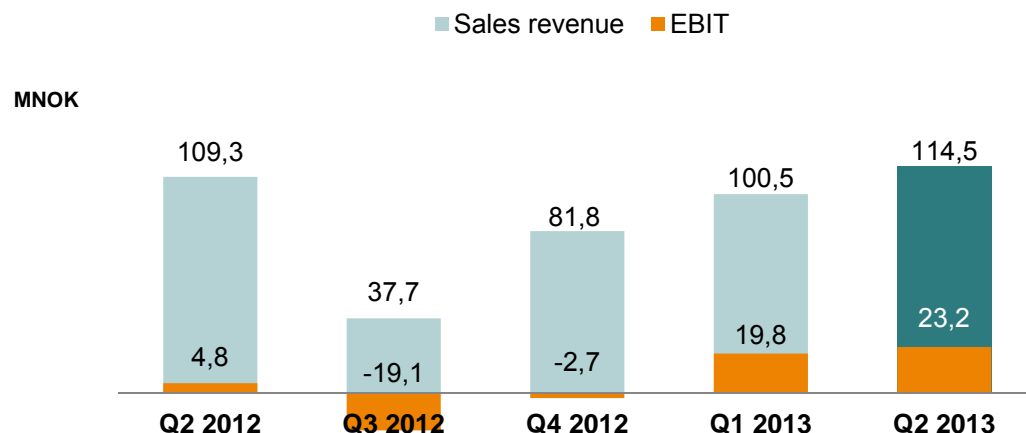
# COMPOSITE CYLINDERS Q2



	Q2 2012	Q1 2013	Q2 2013
Sales revenue	109 310	100 502	114 533
EBITDA	13 245	27 001	31 833
EBIT	4 819	19 764	23 185
EBIT %	4,4 %	19,7 %	20,2 %

	First half year 2012	First half year 2013
Sales revenue	219 121	215 035
EBITDA	36 157	58 835
EBIT	16 360	42 949
EBIT %	7,5 %	20,0 %

Sales revenue and EBIT last quarters



## Q2 Operating results

- Improved operations and good seasonal sales
- EBIT improved due to:
  - Good seasonal sales
  - Demerger of CNG passenger cars
  - Closure of production at Composite Scandinavia
  - Satisfactory production
  - Improved utilization of capacity (4 vs. 3 shifts)

# MARKET SITUATION

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- Expected lower sales in 2<sup>nd</sup> half of 2013 compared to the 1<sup>st</sup> half due to:
  - Seasonal variations in Europe
  - Sales to markets outside Europe will not compensate enough
- Increased sales revenue depends on new contracts outside Europe
- Continued strong focus on sales activities

# HIGH PRESSURE CYLINDERS Q2

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## North America

- Continued strong market demand for high-pressure cylinders to the North American market
- Good order books for TITAN™ transport modules and NGV cylinders
- Main market driver is the low gas price caused by the shale gas revolution
- Planning to invest NOK 150 million in Lincoln to meet increasing demand

## Europe

- Continued challenging European markets for Hexagon Raufoss

## World-wide

- High level of interest in our transport solutions to Asia, South America and Russia

# HIGH PRESSURE CYLINDERS Q2



HEXAGON  
RAUFOSS

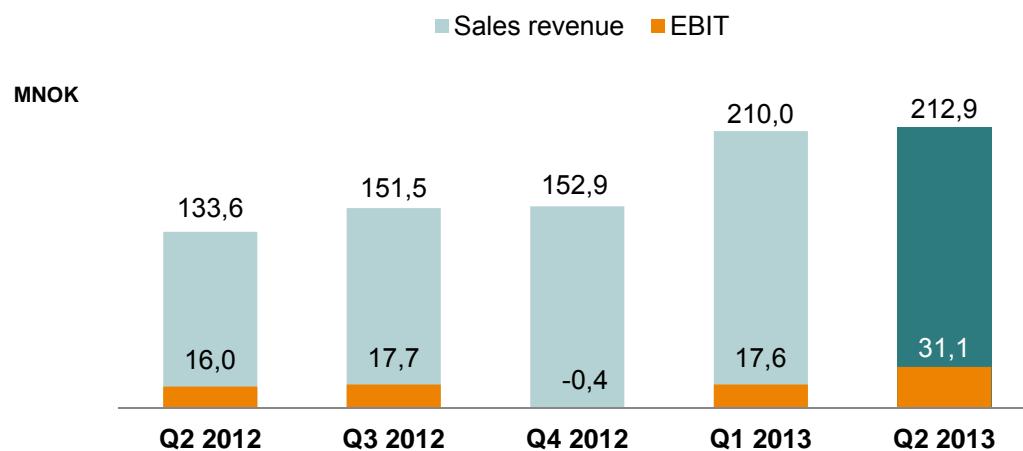


HEXAGON  
LINCOLN

	Q2 2012	Q1 2013	Q2 2013
Sales revenue	133 598	209 994	212 863
EBITDA	20 274	23 898	37 176
EBIT	16 007	17 553	31 063
EBIT %	12,0 %	8,4 %	14,6 %

	First half year 2012	First half year 2013
Sales revenue	240 675	422 857
EBITDA	41 925	61 073
EBIT	33 317	48 616
EBIT %	13,8 %	11,5 %

## Sales revenue and EBIT last quarters



## Q2 Operating results

- High sales level continues
- EBIT impacted by:
  - no special operational events
  - weaker European car market

# MARKET SITUATION

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- Continued strong global interest for TITAN™ modules worldwide
- The development of shale gas in the US is expected to further boost growth for Hexagon Lincoln from 2014 onwards
- Stronger bus market in the U.S. in 2<sup>nd</sup> half of 2013 is expected
- The increased capacity for TITAN™ and NGV in Lincoln will be operational from 2<sup>nd</sup> half of 2013
- Overall order book is very good and further growth in sales is expected in 2013
- Increased sales to the European car market expected in 2<sup>nd</sup> half of 2013.

# COMPOSITE REINFORCEMENTS Q2

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- Weak sales due to a slow US market related to PTC (Production Tax Credit)
- Increased competition from Chinese manufacturers
- Achieved positive EBIT over the four last quarters
- Acquisition of PPG Industries' 50% share of JV PPG-Devold LLC in North Carolina, USA
- Hexagon Devold is now well positioned, with low-cost production in Lithuania and USA
- Board has decided to consider strategic alternatives for Hexagon Devold



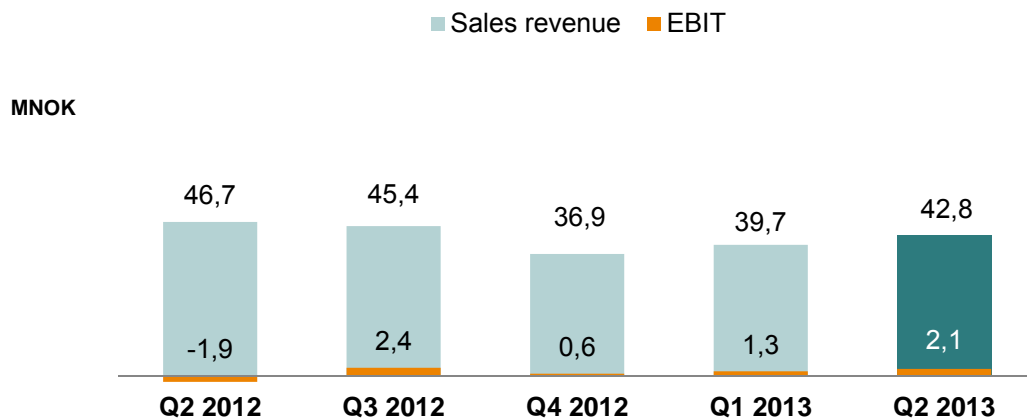
# COMPOSITE REINFORCEMENTS Q2



	Q2 2012	Q1 2013	Q2 2013
Sales revenue	46 657	39 716	42 752
EBITDA	470	3 736	4 844
EBIT	-1 888	1 308	2 065
EBIT %	-4,0 %	3,3 %	4,8 %

	First half year 2012	First half year 2013
Sales revenue	93 788	82 468
EBITDA	-5 936	8 581
EBIT	-10 375	3 373
EBIT %	-11,1 %	4,1 %

## Sales revenue and EBIT last quarters



## Q2 operating results

- Weaker sales compared to first half 2012 and Q2 2012
- Positive EBIT
- Increased competition from China affects margins
- Depends on higher volume to maintain a positive result

# MARKET SITUATION

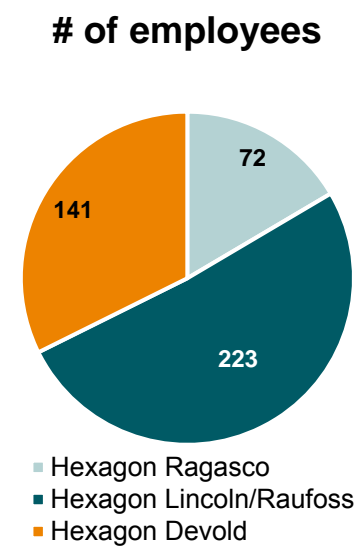
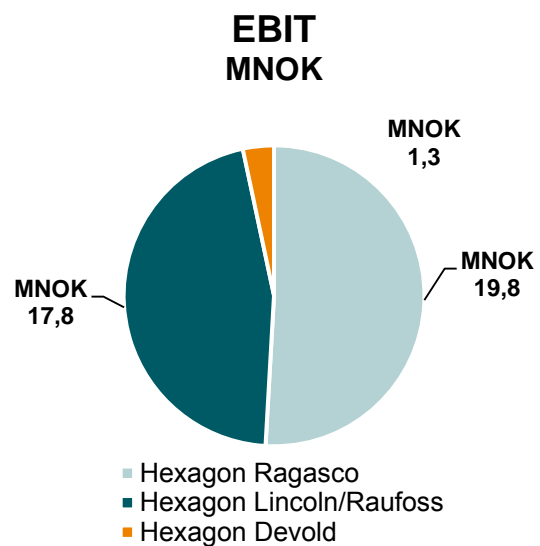
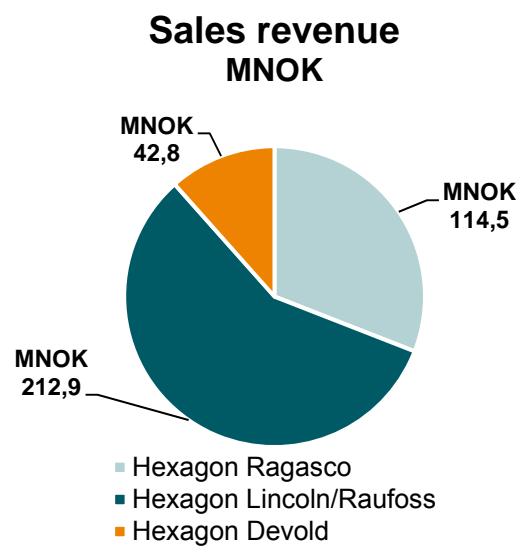
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- Weak US market caused by delayed PTC (Production Tax Credit). The program will continue for another year with expected effect from 2<sup>nd</sup> half 2013
- Increased competition from Chinese manufacturers is expected to effect the margins from 2<sup>nd</sup> half of 2013



# BUSINESS UNIT SHARES





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**QUARTER 2013  
GROUP FINANCIALS**

# PROFIT AND LOSS ACCOUNT Q2 2013



<b>KEY FIGURES</b>	(NOK 1 000)	<b>Q2 2013</b>	<b>Q2 2012</b>	<b>CHANGE</b>
<b>Sales Revenue</b>		<b>366 760</b>	<b>286 969</b>	28%
<b>EBITDA</b>		<b>71 465</b>	<b>31 322</b>	128%
Depreciation		17 670	15 182	16%
<b>EBIT</b>		<b>53 795</b>	<b>16 140</b>	233%
Income from investments in associates		-1 304	-236	-453%
Other financial items (net)		466	1 145	59%
<b>Profit before tax</b>		<b>52 958</b>	<b>17 050</b>	211%
EBITDA %		19,5 %	10,9 %	
EBIT %		14,7 %	5,6 %	

# PROFIT AND LOSS ACCOUNT

## HALF YEAR INTERIM REPORT 2013



<b>KEY FIGURES</b>	(NOK 1 000)	<b>1st half 2013</b>	<b>1st half 2012</b>	<b>CHANGE</b>
Sales Revenue		713 777	550 567	30%
<b>EBITDA</b>		<b>123 047</b>	<b>66 194</b>	86%
Depreciation		33 810	33 101	2%
<b>EBIT</b>		<b>89 236</b>	<b>33 092</b>	170%
Income from investments in associates		-1 417	-464	-205%
Other financial items (net)		136	-3 022	105%
<b>Profit before tax</b>		<b>87 956</b>	<b>29 605</b>	197%
EBITDA %		17,2 %	12,0 %	
EBIT %		12,5 %	6,0 %	



## BALANCE SHEET AS PER 30.06.2013

<b>BALANCE SHEET - ASSETS</b>	<b>30.06.2013</b>	<b>30.06.2012</b>	<b>CHANGE</b>
Intangible assets	106 559	113 303	-6 744
Tangible fixed assets	319 591	255 401	64 190
Investments in associates	170	1 948	-1 778
Other financial fixed assets	2 381	1 208	1 173
<b>Total non-current assets</b>	<b>428 701</b>	<b>371 861</b>	<b>56 840</b>
Inventories	280 355	214 179	66 176
Receivables	207 060	231 592	-24 532
Bank deposits, cash and similar	88 356	25 918	62 438
<b>Total current assets</b>	<b>575 771</b>	<b>471 689</b>	<b>104 082</b>
<b>Total Assets</b>	<b>1 004 472</b>	<b>843 550</b>	<b>160 922</b>

<b>BALANCE SHEET - LIABILITIES AND EQUITY</b>	<b>30.06.2013</b>	<b>30.06.2012</b>	<b>CHANGE</b>
Paid-in capital	103 781	103 740	41
Other equity	207 125	178 796	28 329
<b>Total equity</b>	<b>310 906</b>	<b>282 536</b>	<b>28 370</b>
Provisions	41 684	16 095	25 589
Interest-bearing long-term liabilities	331 344	308 720	22 624
<b>Total non-current liabilities</b>	<b>373 028</b>	<b>324 815</b>	<b>48 213</b>
Interest-bearing current liabilities	34 269	5 063	29 206
Other current liabilities	286 269	231 135	55 134
<b>Total current liabilities</b>	<b>320 538</b>	<b>236 198</b>	<b>84 340</b>
<b>Total liabilities</b>	<b>693 566</b>	<b>561 014</b>	<b>132 552</b>
<b>Total Liabilities and Equity</b>	<b>1 004 472</b>	<b>843 550</b>	<b>160 922</b>

(NOK 1 000)

# CASH FLOW STATEMENT AS AT 30.06.2013



<b>CASH FLOW STATEMENT</b>	<b>(NOK 1 000)</b>	<b>30.06.2013</b>
Profit before tax		87 956
Depreciation and write-downs		33 810
Change in net working capital		-42 912
<b>Net cash flow from operations</b>		<b>78 854</b>
Net cash flow from investment activities		-48 688
Net cash flow from financing activities		-22 132
<b>Net change in cash and cash equivalents</b>		<b>8 035</b>
Cash and cash equivalents at start of period		80 322
<b>Cash and cash equivalents at end of period</b>		<b>88 356</b>
Available unused credit facility		92 023

# KEY FIGURES AS AT 30.06.2013

KEY FIGURES	30.06.2013	30.06.2012	31.12.2012
EBITDA %	17.2 %	12.0 %	8.5 %
EBIT %	12.5 %	6.0 %	2.4 %
Equity ratio	31.0 %	33.5%	29.2%
Equity/Capital employed	46.0 %	47.4%	42.1%
Return on equity (annualised)	42.0 %	14.1%	2.1%
Total return (annualised)	20.4 %	9.1%	2.7%
Liquidity ratio I	1.8	2.00	1.7
Earnings per share	0.45	0.15	0.04
Diluted earnings per share	0.45	0.14	0.04
Cash flow from operations per share	0.59	0.55	0.87
Equity per share	2.33	2.12	1.95
Net interest-bearing liabilities	277.257	287.865	277.136



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**QUARTER 2013  
SUMMARY & OUTLOOK**

# MARKET OUTLOOK 2<sup>ND</sup> HALF 2013

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## HEXAGON RAGASCO

- Lower sales due to seasonal variations in Europe (similar as to 2012)
- Revenues are expected to be in line with the revenue in 2<sup>nd</sup> half of 2012
- Operating profit (EBIT) improved from 2<sup>nd</sup> half 2012.

## HEXAGON LINCOLN & HEXAGON RAUFOSS

- Overall strong order situation
- Further growth in revenue and profit are expected

## HEXAGON DEVOLD

- Expected slightly higher revenue, however profit somewhat lower than in the first half of 2013.

# HEXAGON GROUP OUTLOOK

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- The development in the US shale gas market holds substantial long term growth opportunities for the Hexagon Group. The developments so far in 2013 supports this view
- 2<sup>nd</sup> half of 2013 is expected to continue the positive development for the High-pressure area, however with uncertainties for Hexagon Ragasco and Hexagon Devold
- Overall, Hexagon Composites expect somehow lower profit in the 2<sup>nd</sup> half than the 1<sup>st</sup> half of 2013
- For 2013 Hexagon Composites is expecting an increase in turnover of approximately 40% and substantial improvement in EBIT compared to 2012.



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**THANK YOU**

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