

Q3
2016



**HEXAGON
COMPOSITES**

OSLO, 27 OCTOBER 2016

**JON ERIK ENGESET, CEO
DAVID BANDELE, CFO**



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AGENDA

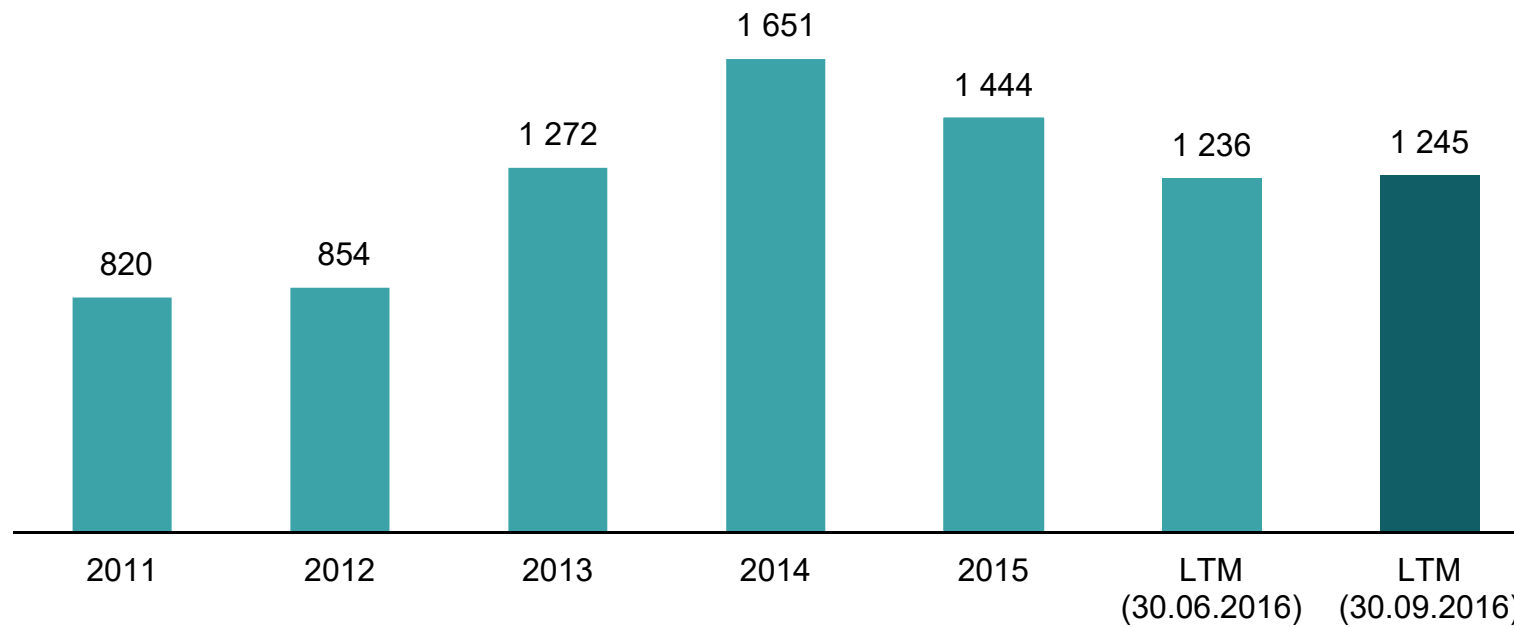
- Group highlights
- Group financials & segment overview
- Outlook
- Q & A



BOTTOMING OUT

OPERATING REVENUES

NOK Million





HIGHLIGHTS Q3 2016

- Growth of 52% in revenue in the LPG segment – versus Q3 2015
- Weak Mobile Pipeline® sales in the quarter
- Pickup in US Heavy-Duty Truck market
- Healthy CNG and Hydrogen Light-Duty Vehicle development
 - Selected by Daimler AG to supply cylinders for the new Mercedes-Benz GLC F-CELL
- The closing of Agility Fuel Solutions (50% JV) was completed on 3 October
- Acquisition of xperion in Germany significantly strengthens our world wide leadership position





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3RD
QUARTER 2016
FINANCIALS



FINANCIAL HIGHLIGHTS Q3 2016

- Key factors impacting profit this quarter:
 - Strong Low-Pressure performance
 - Weak Mobile Pipeline® volumes
 - Positive impacts of cost initiatives
 - Hydrogen remains dilutive to current results
- Double-digit year-over-year growth in Low-Pressure
- Pickup in overall Heavy-Duty volumes in CNG North America versus second quarter
- Continued profitable year-over-year growth in Light Duty Vehicles
- Positive operating working capital movement
 - Net Positive impacts driven by reduced inventory levels
- Draw down of debt at end of Q3
 - held as cash for the subsequent acquisition of xperion Energy & Environment

Group key figures in NOK million	Q3 2016	Q3 2015
Operating Income	266	257
EBITDA	5	(31)
Net profit / (loss)	(11)	(36)





SUMMARY COMMENTS YEAR TO DATE

- Approximately NOK 200 million lower top-line as a consequence of:
 - Lower Mobile Pipeline® volumes
 - Lower Heavy-Duty US truck and rest of world transit bus volumes
- However, matched 2015 EBITDA level despite the volume effect – consequence of cost initiatives executed Q4 2015
- LPG, US transit bus and Light Duty Vehicles are growth businesses in 2016
- Balance sheet and financing facilities reshaped for our strategic initiatives and added flexibility

Group key figures in NOK million	YTD 2016	YTD 2015
Operating Income	874	1 072
EBITDA	60	59
Net profit / (loss)	5	(7)

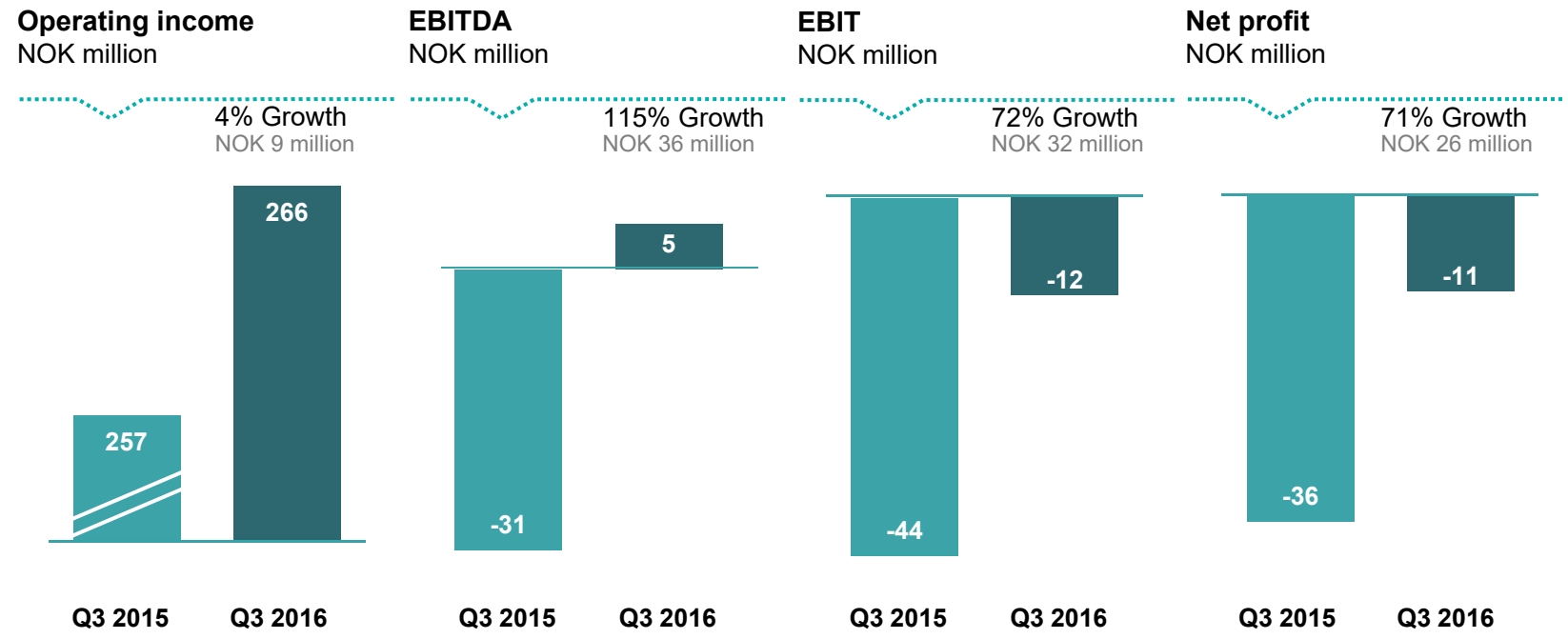


Q3 2016 GROUP INCOME STATEMENT

NOK MILLION	THREE MONTHS ENDING			TWELVE MONTHS ENDING
	30.09.16	30.09.15	Variance	31.12.15
Operating Income	266.2	256.9	9.3	1 443.9
Operating expenses	(261.6)	(287.9)	26.3	(1 343.8)
EBITDA	4.6	(31.0)	35.6	100.1
Depreciation and impairment	(17.0)	(12.8)	(4.2)	(62.6)
EBIT	(12.4)	(43.8)	31.4	37.5
Share of profit/(loss) from associates	0.0	0.0	0.0	(0.3)
Other financial items (net)	(6.0)	(12.1)	6.1	(36.9)
Profit/(loss) before tax	(18.4)	(55.9)	37.5	0.3
Tax expense	7.8	19.8	(12.0)	4.3
Profit/(loss) after tax	(10.6)	(36.1)	25.5	4.6
EBITDA %	1.7%	(12.1)%		6.9%
EBIT %	(4.7)%	(17.1)%		2.6%
NET PROFIT / (LOSS)%	(4.0)%	(14.1)%		0.3%



Q3 '16 V '15 INCOME STATEMENT HIGHLIGHTS



- High-Pressure decline NOK 24 million (-12%)
- Low-Pressure increase NOK 33 million (+52%)

- High-Pressure increase NOK 21 million (-8.6% margin)
- Low-Pressure increase NOK 15 million (19.1% margin)

- Higher depreciation primarily in Low-Pressure following investment program throughout 2015

- Financial items effect NOK +6 million (FX +2; Interest +4)
- Tax effect of NOK -12 million

Positive effects of cost initiatives have helped reduce losses in a low sales volume environment

SEGMENT SHARES Q3 2016

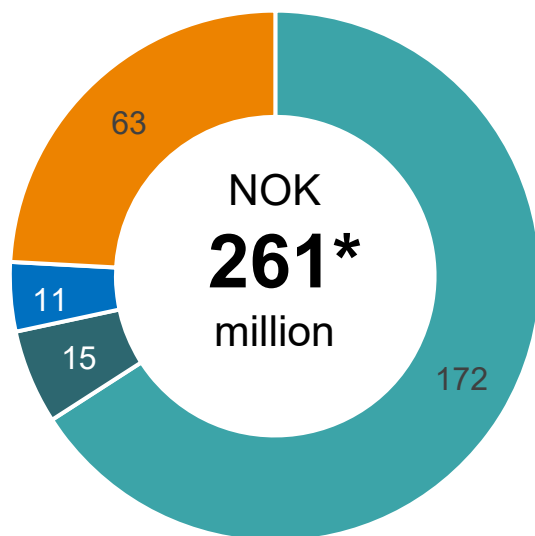
BEFORE GROUP ELIMINATIONS*



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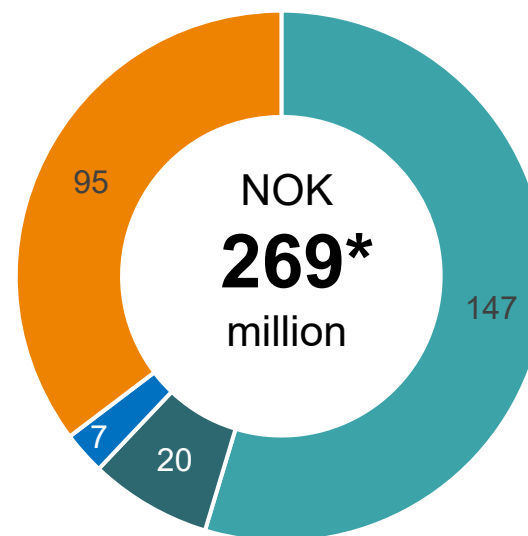
SHARE OF OPERATING INCOME

Q3 2015



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

Q3 2016



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



Q3: HIGH-PRESSURE CYLINDERS

- Weak Mobile Pipeline® sales
 - Sound backlog for Q4
- Solid overall Heavy-Duty volumes
 - Strong Transit Bus demand in USA; soft outside USA
 - Recovering Truck and Refuse volumes
- Continued profits in Light-Duty Vehicles
- Hydrogen business unit still in incubation phase
 - Orders and prospects are increasing ahead of realized sales
 - NOK 7 million negative effect of phased development income/cost



NOK MILLION	SUMMARY FINANCIALS		
	Q3 2016	Q3 2015	Variance
Operating Income	173.4	197.6	(24.2)
Operating expenses	(188.4)	(233.1)	44.7
EBITDA	(15.0)	(35.5)	20.5
Depreciation and impairment	(11.2)	(9.6)	(1.6)
EBIT	(26.2)	(45.1)	18.9



Q3: LOW-PRESSURE CYLINDERS

- 52% year-over-year sales growth
- Solid profitability despite seasonally lower sales volume
- Increased product portfolio and branding options yielding success
- Continued geographic spread

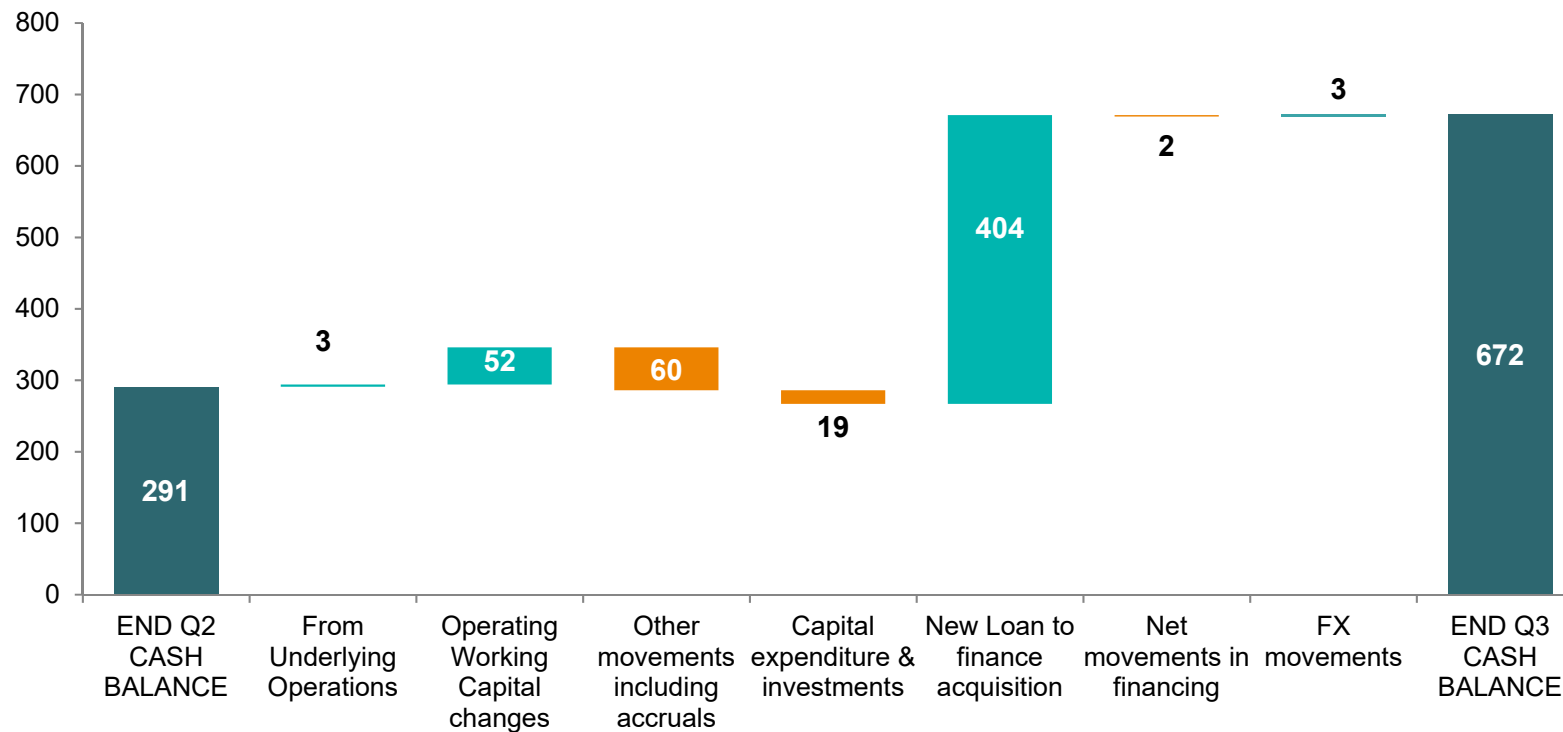


NOK MILLION	SUMMARY FINANCIALS		
	Q3 2016	Q3 2015	Variance
Operating Income	95.1	62.5	32.6
Operating expenses	(76.9)	(59.8)	(17.1)
EBITDA	18.2	2.7	15.5
Depreciation and impairment	(5.7)	(3.0)	(2.7)
EBIT	12.5	(0.3)	12.8



GROUP CASH MOVEMENTS Q3 2016

NOK million



Group cash reflects readiness to execute Agility and xperion transaction after quarter end



FINANCIAL POSITION V PREVIOUS QUARTER

NOK MILLION	30.9.2016	30.6.2016	Change
Intangible assets	108.0	108.1	(0.1)
Tangible fixed assets	381.6	389.4	(7.8)
Other non-current assets	4.6	4.3	0.3
Total Non-current Assets	494.2	501.8	(7.6)
Inventories	337.3	379.1	(41.8)
Receivables	291.9	241.7	50.2
Bank deposits, cash and similar	671.6	290.8	380.8
Total Current Assets	1 300.8	911.6	389.2
Total Assets	1 795.0	1 413.4	381.6
Total Equity	1 099.0	1 118.0	(19.0)
Long-term interest-bearing debt	402.3	0.0	402.3
Other non-current liabilities	31.9	26.5	5.4
Total Non-current Liabilities	434.2	26.5	407.7
Short-term interest-bearing debt	0.0	0.0	0.0
Other current liabilities	261.8	268.9	(7.1)
Total Current Liabilities	261.8	268.9	(7.1)
Total Liabilities	696.0	295.4	400.6
Total Equity and Liabilities	1 795.0	1 413.4	381.6

- New loan drawn to fund acquisition after quarter end
- Offsetting working capital effects in quarter
 - Inventory being steadily reduced after large bulk purchases – positive impact
 - Increased Current Assets including transaction related costs held on balance sheet – negative impact

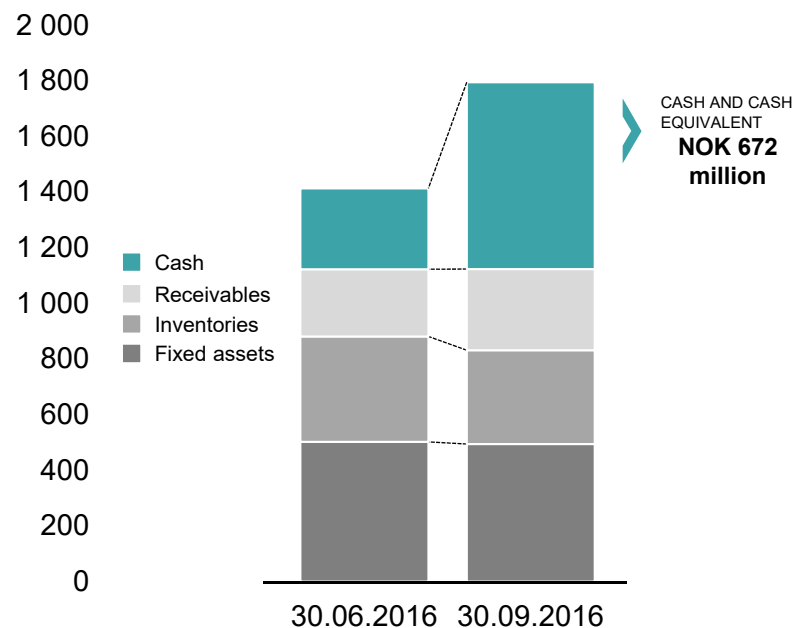
BALANCE SHEET PREPARED FOR TRANSACTIONS



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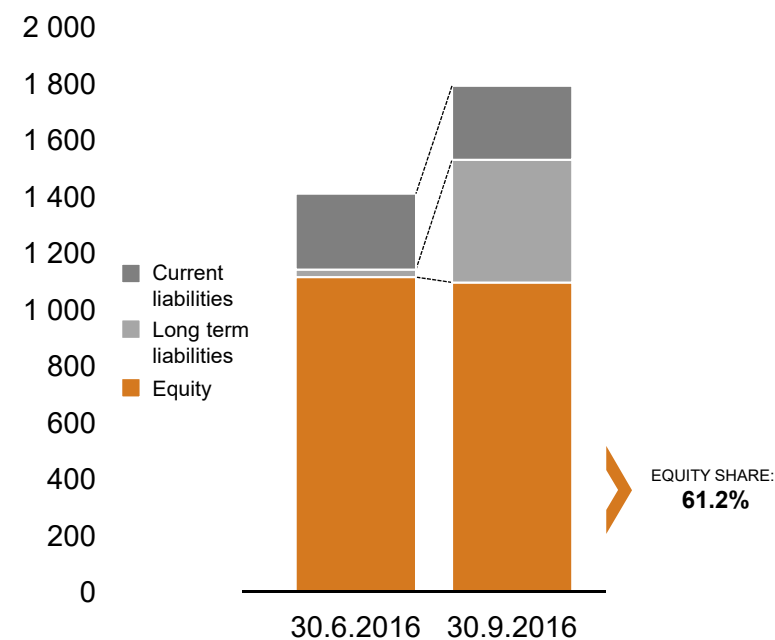
ASSETS

NOK Million



LIABILITIES AND EQUITY

NOK Million





UPDATE: AGILITY TRANSACTION

- Transaction closed successfully on 3rd October 2016 and will be equity accounted for from Q4 onwards
- Will recognize a deferred tax charge against the significant gain arising from the transaction
- Further information will be available in due course and reported in Q4 earnings
- Please refer to attachment to Q3 release for more information based on non audited proforma statements

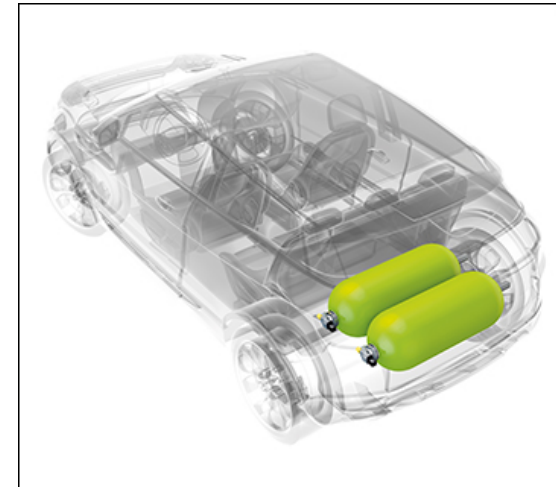


FURTHER INFORMATION ON IMPACTS TO FINANCIAL REPORTING: XPERION



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- Hexagon Group has on 4th October 100% acquired xperion Energy & Environment
- Enterprise value of the transaction is Euro 43.5 million with an additional potential earn-out of up to Euro 11.5 million
- Excess over Net Assets should be approximately Euro 32 million
- The new venture will be consolidated 100% from Q4
- Please refer to the announcement released on October 5th for further details including non audited proforma statements





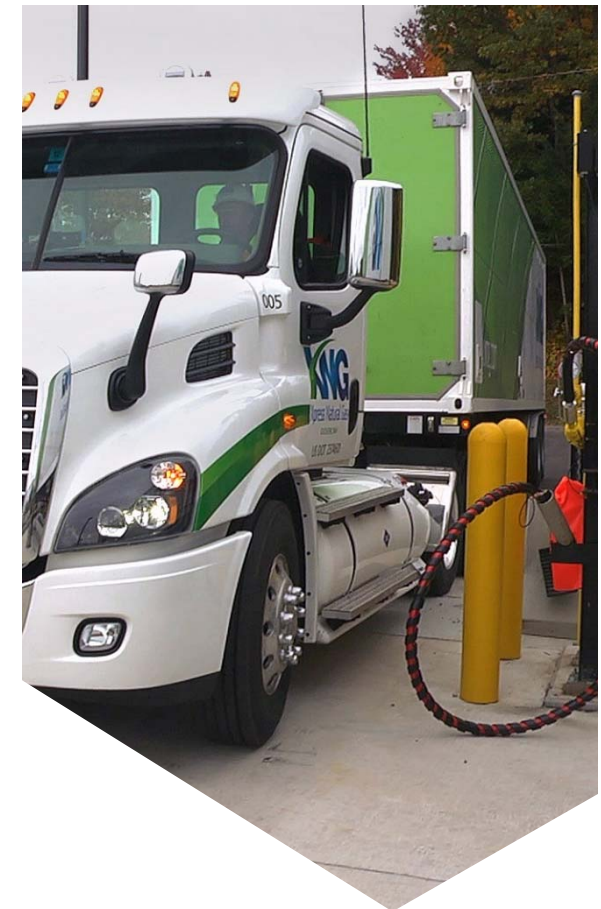
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OUTLOOK



MOBILE PIPELINE®

- Good order book for Q4
 - TITAN® XL to US customers
 - TITAN® 4 to US and Latin America
 - SMARTSTORE® to Europe
- Strong environmental drivers in Europe favor biomethane
 - First SMARTSTORE® deliveries to UK completed
- Lower CNG prices paired with higher transport efficiency improve competitiveness of Mobile Pipeline® operators
- New rigs opt for CNG due to higher flexibility than LNG and lowest distributed cost compared to diesel
- Existing large industrial clients and utilities increase their commitments





LIGHT-DUTY VEHICLES

- Improving market prospects and profitable growth in CNG Light-Duty Vehicles segment
 - Deliveries of new CNG models commencing in Q4
 - new CNG model to be launched in Q2 2017

- Deliveries to Daimler's first serial production of Fuel Cell Electric Vehicles (FCEVs) targeted for end 2017



Hexagon CNG fuel cylinder displayed at Indonesian BKV news channel [6 October 2016](#)



The new Mercedes-Benz GLC F-CELL

AGILITY FUEL SOLUTIONS



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COMPOSITES

- High-Pressure CNG Heavy- and Medium-Duty demand gradually getting firmer
- North American Heavy-Duty Truck volumes firming up in Q4
- Steady Refuse Truck market
- European and RoW Transit Bus market still sluggish
- US Transit Bus strong





LPG CYLINDERS

- Increased market recognition through co-branding
- Seasonally slow sales in Q4, but production for deliveries next year
- Robust outlook

→ We will do more of the same

Gaslight for Fork Lift Trucks...

Give your product a lift

Flogas in partnership with Hexagon Ragasco are revolutionising the UK FLT market with our new composite cylinder - **Gaslight**

**It's Lighter
It's Safer
It's Translucent**

Make material handling easier a thing of the past with the lightest FLT cylinder on the market. European Manual Handling Operations Regulations state that it is not allowed to lift cylinders heavier than 23kg further than elbow height. Gaslight cylinders are well below this requirement.

With over 11 million units in use worldwide, Gaslight holds the best safety record in the industry and its patented construction withstands a burst pressure that is twice as high as their steel counterparts and will not BLEVE, eliminating the risk of explosion in case of fire.

Worried about running out? With Gaslight's visible gas level, you can easily see when it's time to refill.

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www.flogas.co.uk/gaslight

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XPERION ENERGY & ENVIRONMENT - OUR NUMBER 1 ACQUISITION TARGET



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XPERION – A HIGHLY RESPECTED MARKET PLAYER



- A leading manufacturer of Type 4 high-pressure composite cylinders
 - Light-duty vehicles, heavy-duty trucks, transit buses and gas transportation
- Production units in Kassel, Germany and Ohio, US
 - Altogether 140 employees
- Operating income of MEUR 39 and EBITDA of MEUR 5.2 on an adjusted basis in 2015
- Has more than 100,000 gas cylinders in operation worldwide





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OPTION ON US OPERATION

- xperion Energy & Environment, in Germany acquired on October 4th
- Option to acquire xperion Energy & Environment, Ohio, USA, before December 20th 2016
 - Consulting with relevant stakeholders before execution

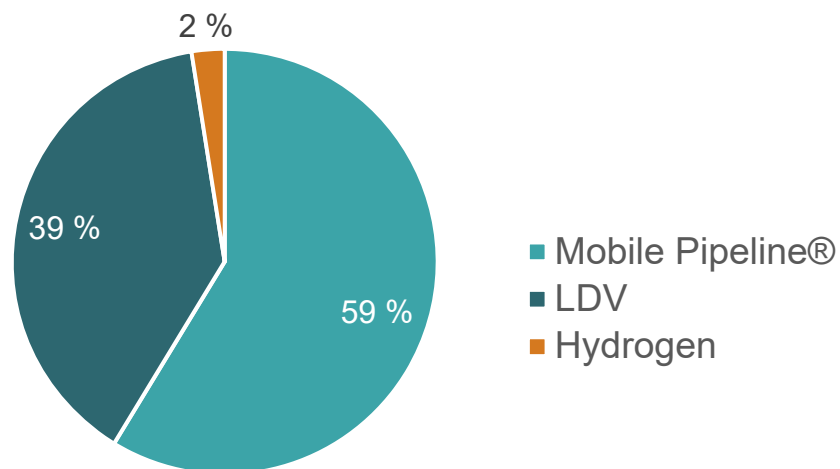


xperion
ENERGY & ENVIRONMENT



STRONG STRATEGIC FIT

- Combining the two leading firms in three of four core segments
 - Hydrogen
 - Mobile Pipeline®
 - Light-Duty Vehicles



- Expansion of global footprint
- Strong presence in Germany

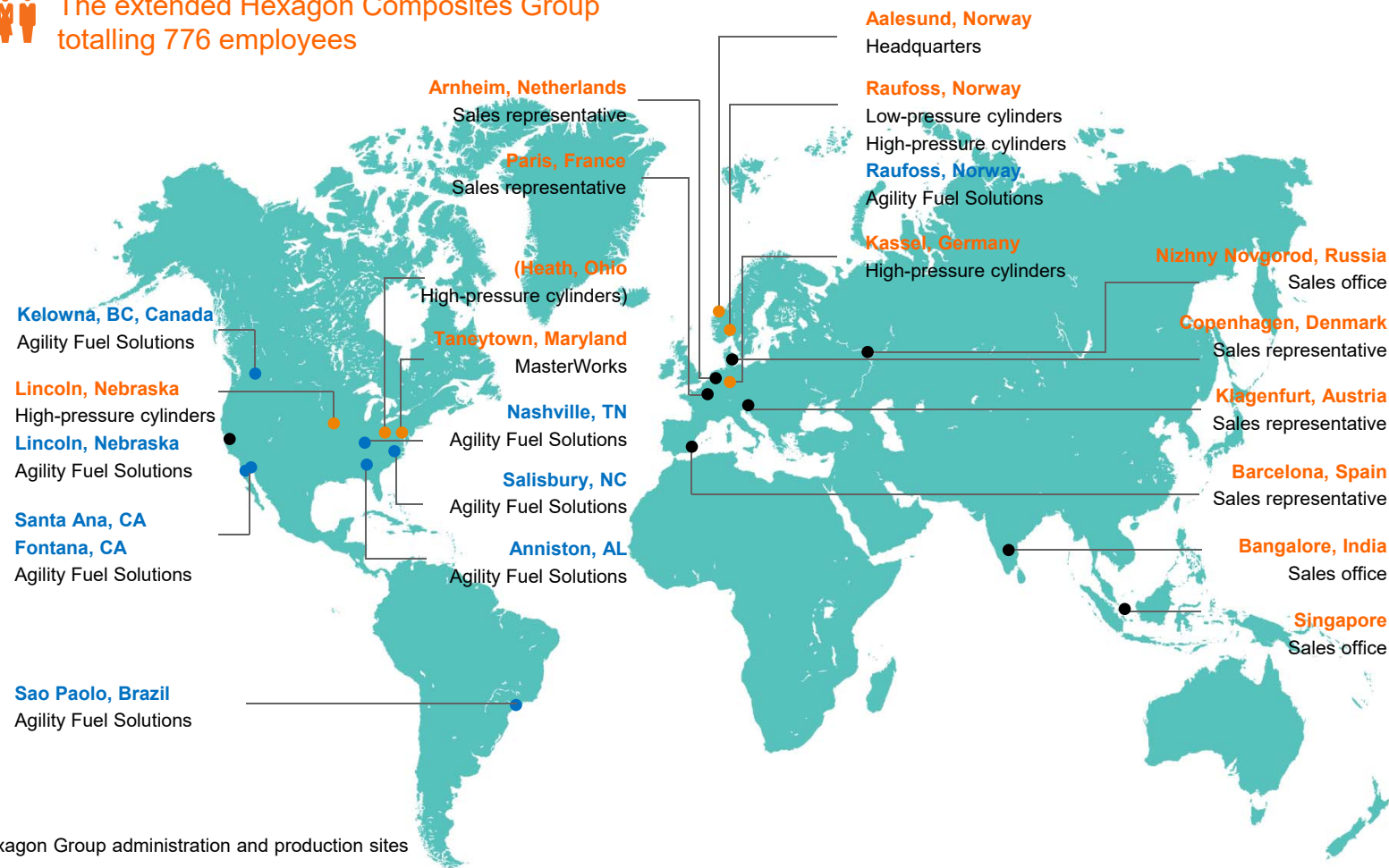




EXPANDING OUR GEOGRAPHICAL FOOTPRINT



The extended Hexagon Composites Group
totalling 776 employees



- Hexagon Group administration and production sites
- Sales offices and representatives
- Agility Fuel Solutions (50% JV)



STRONG STRATEGIC FIT

- Combining the two leading firms in three of four core segments
 - Hydrogen
 - Mobile Pipeline®
 - Light-Duty Vehicles
- Expansion of global footprint
- Strong presence in Germany
- Broadening of product and technology portfolio
- Enabling synergies and reduced costs





XPERION - STRONG MARKET POSITIONS

- Cylinder supplier to Audi A3 g-tron and VW Golf TGI
- X-STORE orders (Mobile Pipeline) to Pakistan, Vietnam and Australia
- Bus cylinders to South Africa
- Hydrogen cylinders to two globally leading distributors of industrial gases (total value MEUR 3.4)



XPERION RECENTLY WON HYDROGEN ORDER FOR GERMAN ZERO-EMISSION TRAIN DEVELOPMENT



HEXAGON
COMPOSITES

- Supplying cylinders to Alstom Germany for the world's first hydrogen-powered regional trains
 - Long distances without refueling or charging
 - Low noise
- Facilitating the conversion from fossil fuels to electric drive
 - Still high number of diesel trains in Europe
 - more than 4,000 locomotives in Germany
- Prototype order for two trains



Coradia iLint*

CO₂ emission-free regional train powered by hydrogen fuel cell

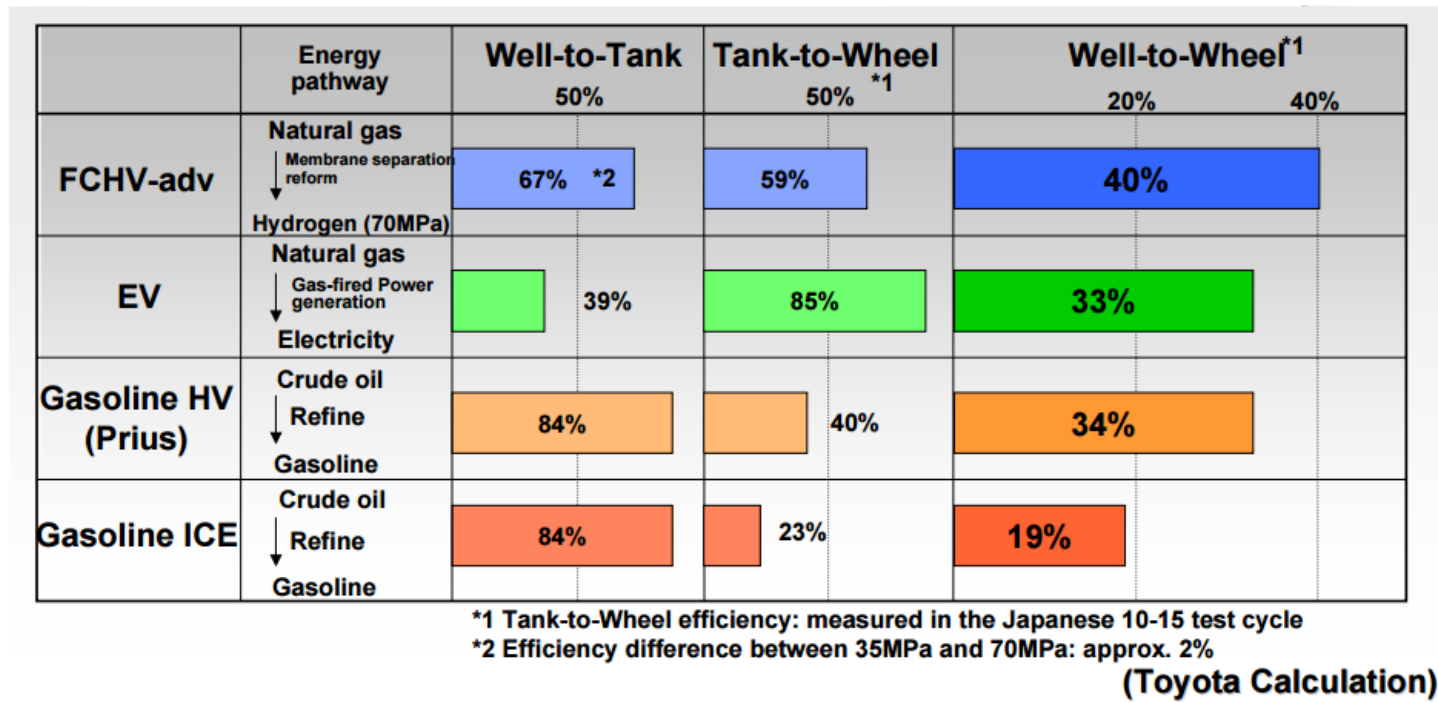
- 600-800 km/tankful
- Up to 300 passengers
- 140 km/h



* Coradia iLint: Pilot operation in the beginning of 2018. Sponsored by the Federal Ministry of Transport (*National Innovation Program for Hydrogen*)



ENERGY EFFICIENCY COMPARISONS



FCHV-adv has great advantage in the Well-to-Wheel efficiency.

Today For Tomorrow

TOYOTA

(Source: Tatsuaki Yokoyama, "Progress & Challenges for Toyota's Fuel Cell Development," 2009 ZEV Symposium, September 21, 2009)

MULTIPLE PLAYERS RACING TO DELIVER CLEAN HYDROGEN BASED ON NATURAL GAS



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COMPOSITES

- Global hydrogen market growing at a CAGR of 5.2% from 2016 to 2021
- Projected to reach USD 152 bn USD by 2021

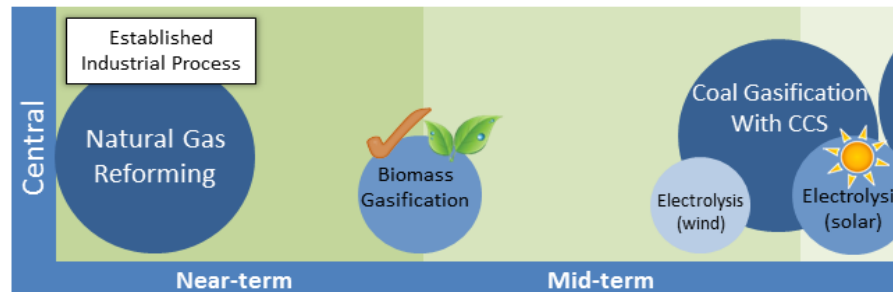


Photo: Marit Hommedal – Statoil

REINERTSEN

Source: US Department of Energy, Marketsandmarkets.com

PLUG IN + HYDROGEN HYBRID - THE ULTIMATE CLEAN VEHICLE



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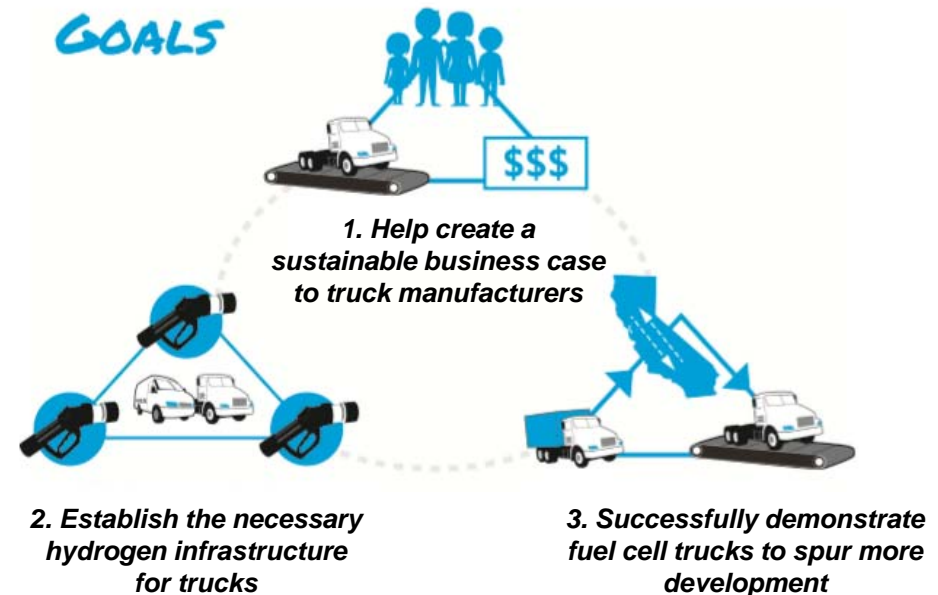


CALIFORNIA NOW TARGETING HEAVY & MEDIUM DUTY EMISSION REDUCTIONS



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- Medium- and heavy-duty vehicles represent 3% of vehicles, yet, produce 23% of on-road greenhouse gas emissions
- The plan as of July 2016 calls for deploying over 100,000 zero emission medium and heavy duty by 2030



Source: California Energy Commission

Remark: Medium- and heavy-duty includes vehicles above 10 000 lb. (4500 kg);

DELIVERED ON STRATEGIC AGENDA - TIME TO INTEGRATE AND REALIZE SYNERGIES



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Strategic moves

Strategic rationale

Way forward

Mitsui & Co. investment and strategic alliance

- Drive organic growth opportunities

Merger with Agility Fuel Systems

- Build a global integrated player for NGV fuel systems and solutions

Acquisition of Xperion

- Combine the two leading composite tank manufacturers

Partnerships and other

- Acquisition of Brazilian systems integrator
- Joint venture in India
- CNG-for-rail joint venture
- Possible JV with Mitsui & Co. and Toray Industries on H2

- Develop new applications for Mobile Pipeline® technologies
- Enhance geographical footprint and capability beyond US and Europe
- Take a position in the Japanese hydrogen society

- Extend geographic footprint to facilitate organic growth
- Partner with leading players in target markets and segments
- Offer services and total solutions to compliment Hexagon's core products and technology



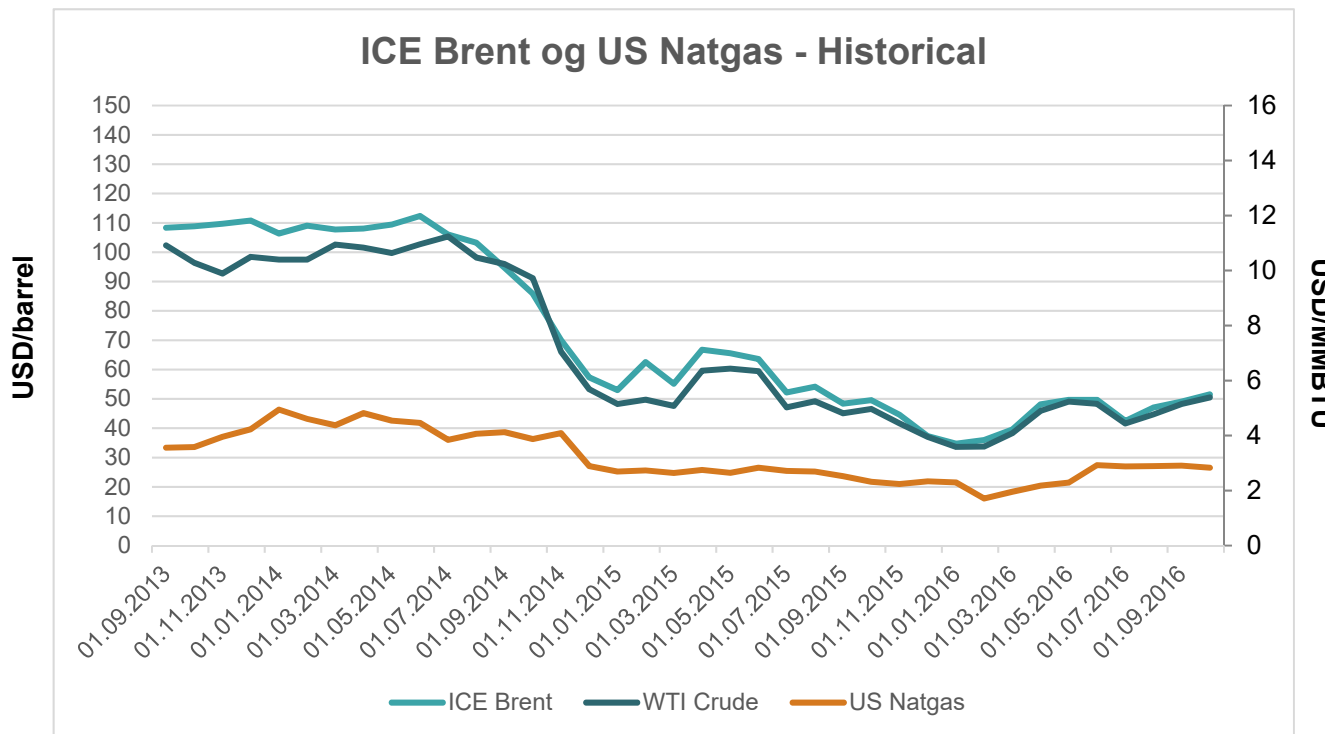


OUTLOOK

- Recent strategic steps strengthen our position and are well-timed given the current market conditions
 - Integration and synergy realization
- High-Pressure demand gradually getting firmer
- Economic CNG value proposition improving with higher oil price



NATURAL GAS PRICE VS OIL



Source:DNB



OUTLOOK

- Recent strategic steps strengthen our position and are well-timed given the current market conditions
- High-Pressure demand gradually getting firmer
- Economic CNG value proposition improving with higher oil price
- Compelling environmental value propositions
- Momentum in the Low-Pressure area remains strong

→ Growth and harvesting synergies main priorities short and medium term



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QUESTIONS PLEASE

Jon Erik Engeset, CEO
David Bandele, CFO