



HEXAGON
COMPOSITES

4TH QUARTER 2015

Oslo, 11 February 2016

Jon Erik Engeset, CEO
David Bandele, CFO



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AGENDA

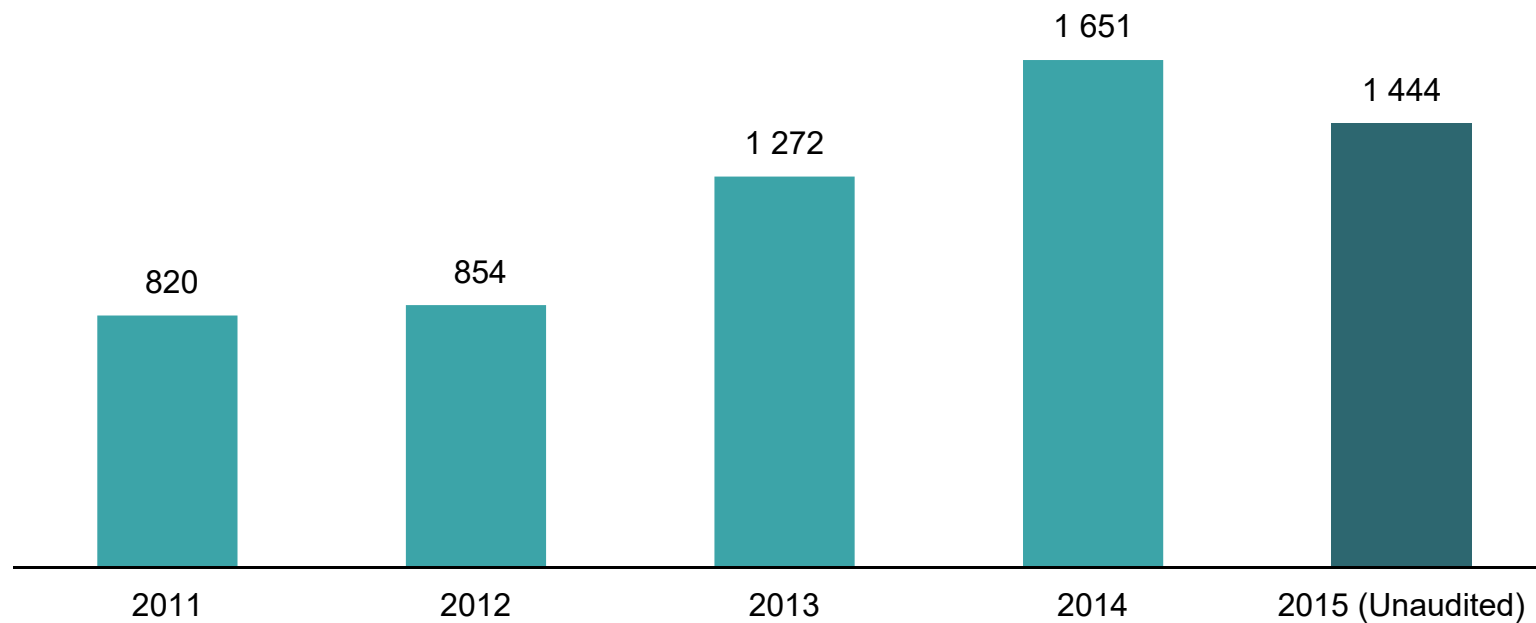
- Group highlights
- Group financials & segment overview
- Outlook
- Q & A



CHALLENGING YEAR BEHIND US

OPERATING REVENUES

NOK Million



NO. 1 GLOBAL POSITION



HIGHLIGHTS Q4 2015

- Green agenda gaining momentum
- Profitability restored
- CNG truck and bus remains robust
- Improved but still weak Mobile Pipeline™
- Good performance in the LPG segment driven by breakthrough in Saudi Arabia
- Nominated by a leading international vehicle modifier to supply CNG tanks to passenger cars in a 5-year program





Business

Obama to propose \$10-a-barrel oil tax to fund rail and highway projects

A



1638



Save for Later



Reading List



Jeff Zients, the director of the White House National Economic Council, said the fee would apply to imported crude and petroleum products but not to U.S. petroleum exports. (Spencer Platt/Getty Images)

The Washington Post

The Washington Post is the #1 print and online media source for opinion leaders inside the beltway.

Source: Erdos & Morgan Opinion Leaders Study, 2014

Most Read

1 What the Earth will be like in 10,000 years, according to scientists



2 Scientists just uncovered yet another troubling fact about Antarctica's ice



- The Washington Post



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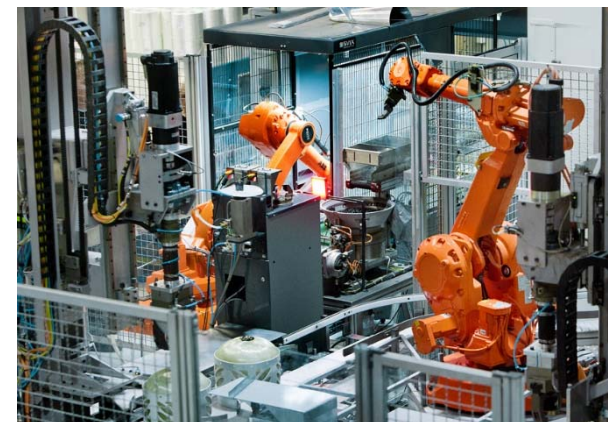
4TH
QUARTER 2015
FINANCIALS



FINANCIAL HIGHLIGHTS Q4 2015

- Key factors in returning to profits this quarter:
 - Higher volume contribution in LPG and Mobile Pipeline™
 - Positive impacts of cost initiative programs
- Continued good underlying growth in CNG North America with better cost efficiencies
- Increased recurring sales in LPG in seasonally low quarter
- EBITDA level profit in European Light-Duty Vehicles
- Positive working capital performance with underlying reduction in inventories

Group key figures	NOK million
Operating Income	371
EBITDA	41
Net profit	11



FINANCIAL SCORECARD

PRELIMINARY FULL YEAR 2015*



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Through 2015 we have:

- Delivered growth in the heavy-duty truck and transit bus business
- Responded swiftly to challenging market conditions within our Mobile Pipeline™ business
- Executed initiatives to deliver over NOK 70 million of cost reductions in 2016
- Achieved net profit for the Group despite the negative impacts felt within High-Pressure segment
- Retained a strong equity ratio of 39.5%
- Generated positive cash flow of NOK 106 million from core operations and operating working capital

Group key figures	NOK million
Operating Income	1 444
EBITDA	100
Net profit	4



Repositioned cost base ready for overall profit growth in 2016

*Preliminary unaudited financials



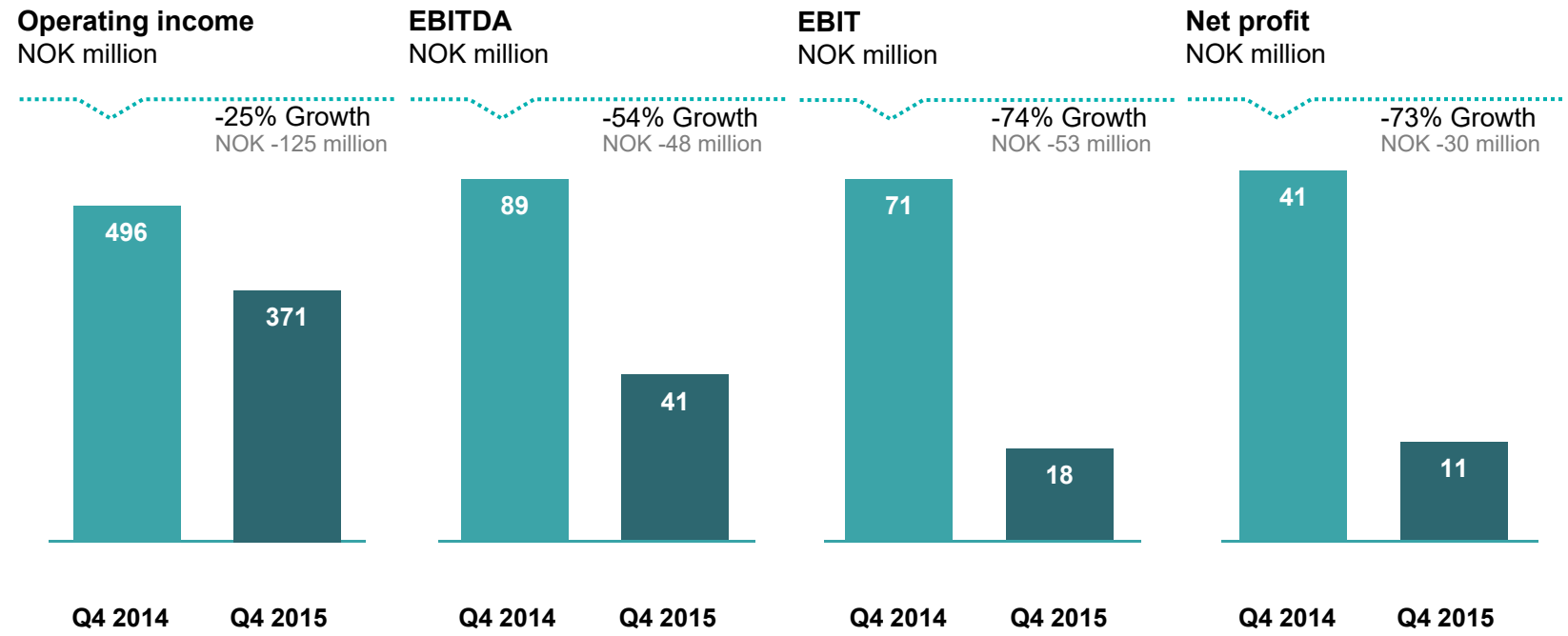
Q4 2015 SUMMARY GROUP INCOME STATEMENT

NOK MILLION	THREE MONTHS ENDING			TWELVE MONTHS ENDING	
	31.12.15	31.12.14	Variance	31.12.15*	31.12.14
Operating Income	371.4	496.9	(125.5)	1 443.9	1 650.8
Operating expenses	(330.5)	(408.4)	77.9	(1 343.8)	(1 321.7)
EBITDA	40.9	88.5	(47.6)	100.1	329.1
Depreciation and impairment	(22.3)	(17.1)	(5.2)	(62.6)	(72.4)
EBIT	18.6	71.4	(52.8)	37.5	256.8
Share of profit/(loss) from associates	(0.1)	(6.6)	6.5	(0.3)	(9.6)
Other financial items (net)	(3.8)	(1.3)	(2.5)	(36.9)	(9.8)
Profit/(loss) before tax from cont. operations	14.7	63.5	(48.8)	0.3	237.4
Tax expense	(3.9)	(22.2)	18.3	3.8	(77.1)
Profit/(loss) after tax from cont. operations	10.8	41.3	(30.5)	4.1	160.3
Profit/(loss) from companies held for sale	-	(0.5)	0.5	-	4.3
Profit/(loss) for the period	10.8	40.8	(30,0)	4.1	164.7
EBITDA %	11.0%	17.8%		6.9%	19.9%
EBIT %	5.0%	14.4%		2.6%	15.6%
NET PROFIT%	2.9%	8.2%		0.3%	10.0%

*Preliminary unaudited financials



Q4 '15 V '14 INCOME STATEMENT HIGHLIGHTS



- High-Pressure decline NOK 86 million (-24%)
- Includes positive USD FX impacts of c. NOK 69 million
- Low-Pressure decline NOK 39 million (-26%)

- High-Pressure decline NOK 42 million (10.1% margin)
- Low-Pressure decline NOK 4 million (15.1% margin)

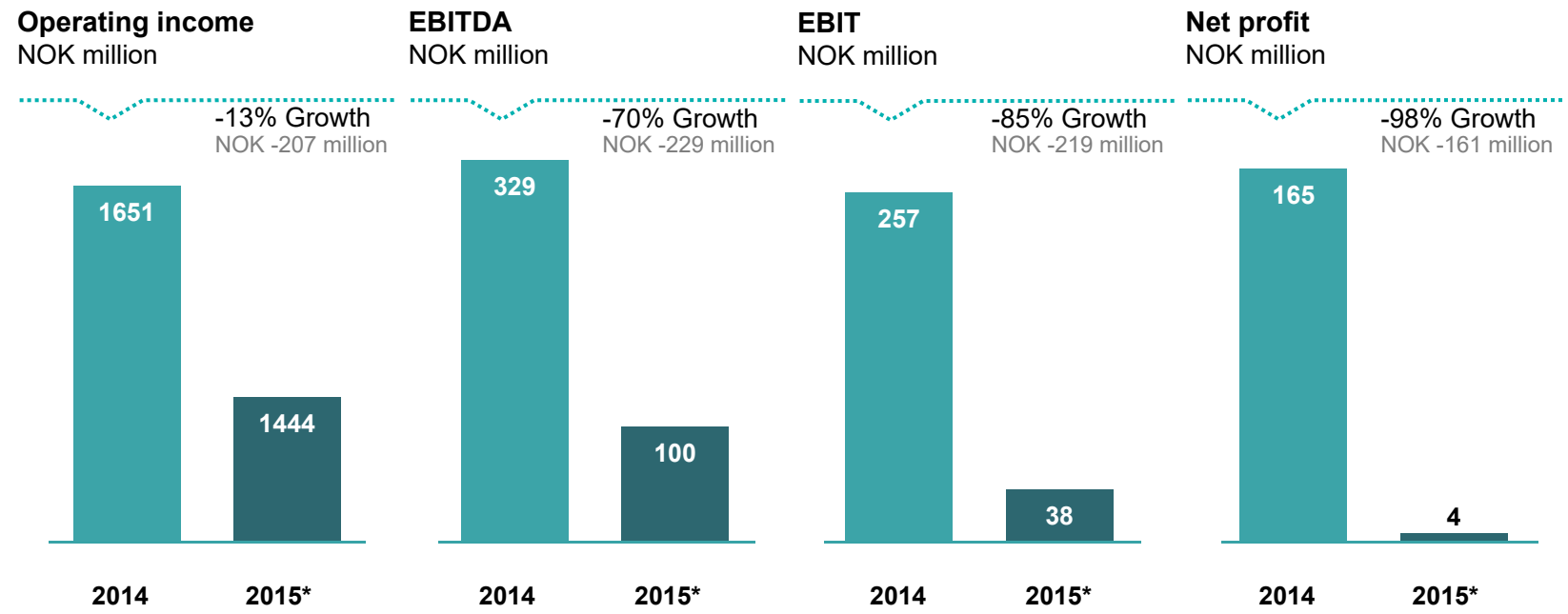
- Prior years' asset base well depreciated in Low Pressure whilst asset base increases in High Pressure
- Included NOK 7 million impairment charge primarily on one piece of equipment

- Financial items effect of NOK -2 million (FX -4; Interest +2)
- Effect from Rugasco JV NOK +7 million
- Tax effect of NOK +18 million

Positive return to profitability despite lower sales volumes than record quarter Q4 2014



2015* V 2014 INCOME STATEMENT HIGHLIGHTS



- High-Pressure decline NOK 52 million (-5%)
- Includes positive USD FX impacts of c. NOK 269 million
- Low-Pressure decline NOK 155 million (-28%)
- High-Pressure decline NOK 180 million (3.4% margin)
- Low-Pressure decline NOK 73 million (16.3% margin)
- Prior years' asset base well depreciated in Low-Pressure whilst asset base increases in High Pressure
- Included NOK 7 million impairment charge on one piece of equipment
- Financial items effect of NOK -27 million (FX -9; Interest +4; Other -22)
- Effect from Rugasco JV NOK +9 million
- Tax effect of NOK +82 million
- Divestment profit effect -4 million

Mobile Pipeline™ downturn and absence of large one-time orders in LPG Y-o-Y substantially drove negative profit development

*Preliminary unaudited financials

SEGMENT SHARES Q4 2015

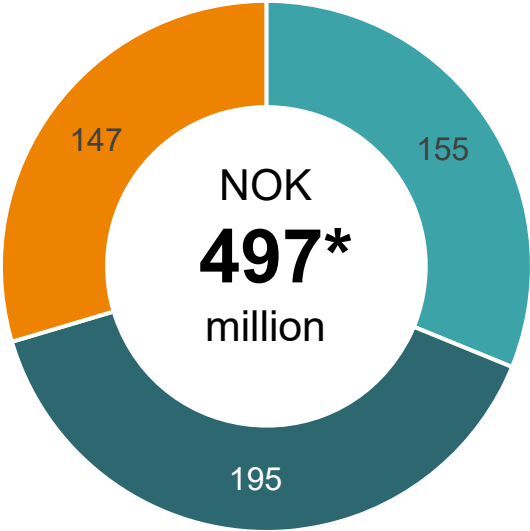
BEFORE GROUP ELIMINATIONS*



HEXAGON
COMPOSITES

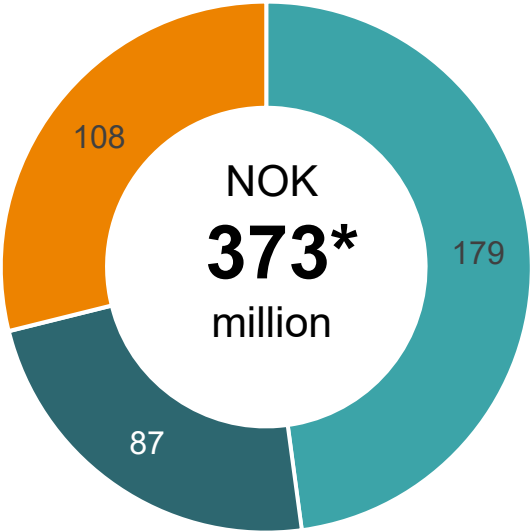
SHARE OF OPERATING INCOME

Q4 2014



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

Q4 2015



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

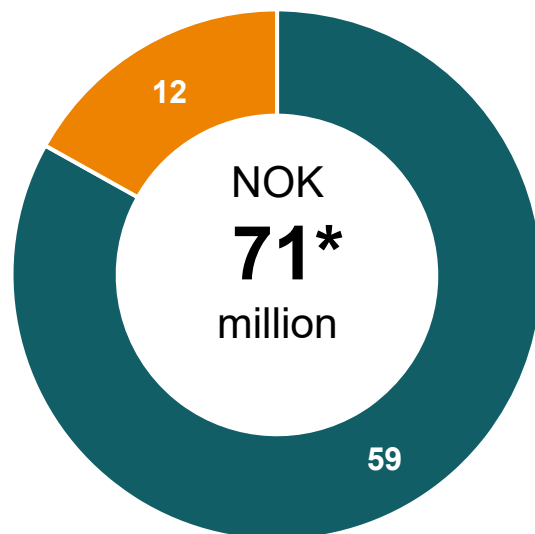
SEGMENT SHARES Q4 2015

BEFORE GROUP ELIMINATIONS*



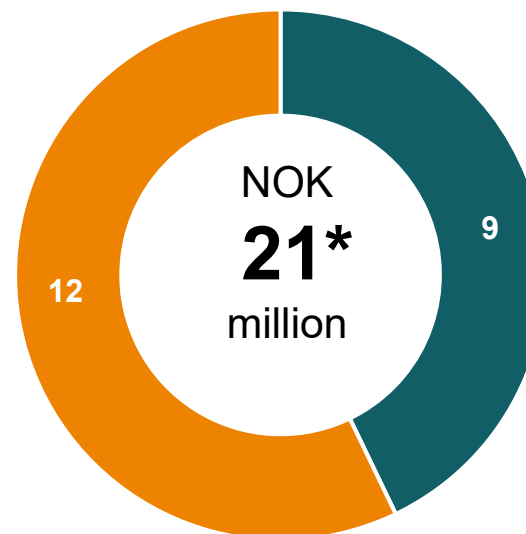
SHARE OF EBIT

Q4 2014



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

Q4 2015



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



Q4: HIGH-PRESSURE CYLINDERS

- Continued solid heavy-duty and transit demand in North America; improved production and delivery efficiencies
- Still relatively low sales of Mobile Pipeline™ solutions
- EBITDA profit for Light-Duty Vehicles
- Positive NOK 6 million one-time impact of cost initiatives; additional NOK 3 million positive one-time impact

NOK MILLION	SUMMARY FINANCIALS		
	Q4 2015	Q4 2014	Variance
Operating Income	265.4	349.7	(84.3)
Operating expenses	(238.6)	(281.0)	42.4
EBITDA	26.8	68.7	(41.9)
Depreciation and impairment	(18.1)	(9.4)	(8.7)
EBIT	8.7	59.3	(50.6)





Q4: LOW-PRESSURE CYLINDERS

- Profits despite seasonally lower sales levels
- High uptime utilisation with balanced manning
- Completion of significant investment milestones towards production line flexibility
- Positive underlying momentum on recurring top-line growth continues

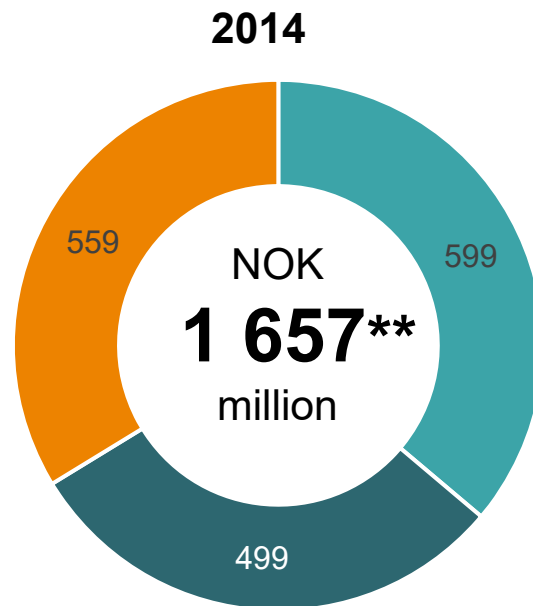


NOK MILLION	SUMMARY FINANCIALS		
	Q4 2015	Q4 2014	Variance
Operating Income	108.1	147.0	(38.9)
Operating expenses	(91.7)	(126.2)	34.5
EBITDA	16.4	20.8	(4.4)
Depreciation and impairment	(4.0)	(8.9)	4.9
EBIT	12.4	11.9	0.5



SEGMENT SHARES 2015*

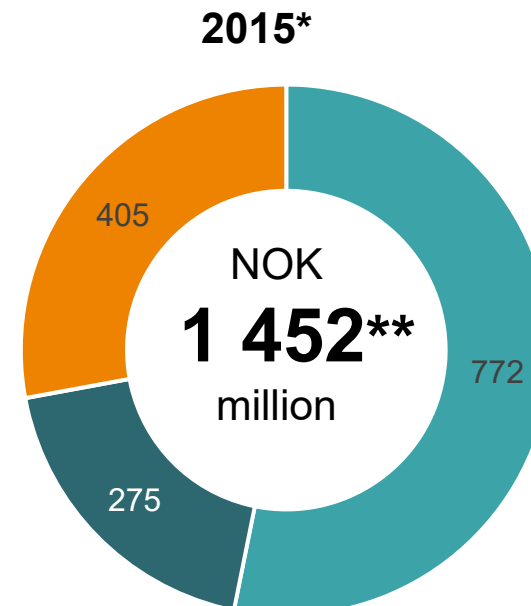
SHARE OF OPERATING INCOME



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

* Preliminary unaudited financials

** Before Group eliminations

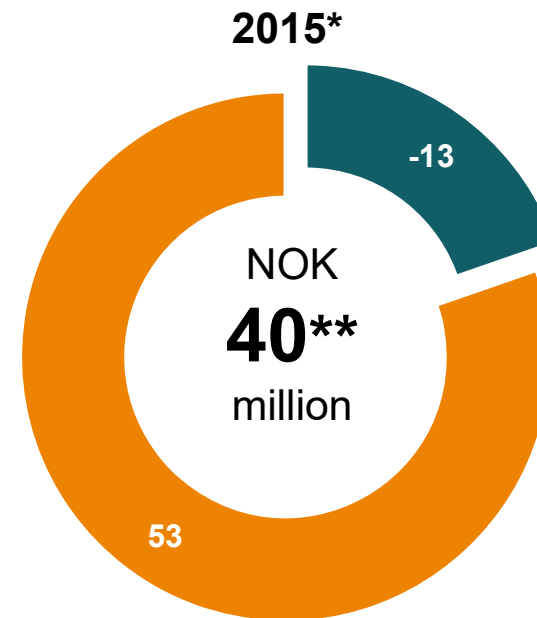
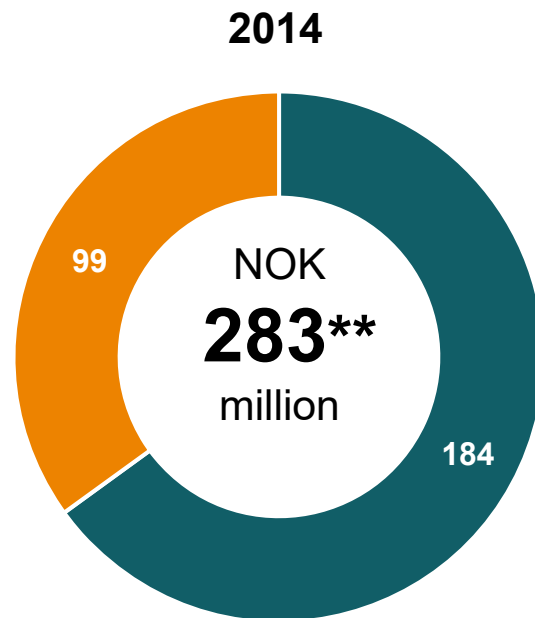


- High-Pressure: CNG Automotive (Global)
- High-Pressure: Mobile Pipeline™
- Low-Pressure: LPG (Propane)



SEGMENT SHARES 2015*

SHARE OF EBIT



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

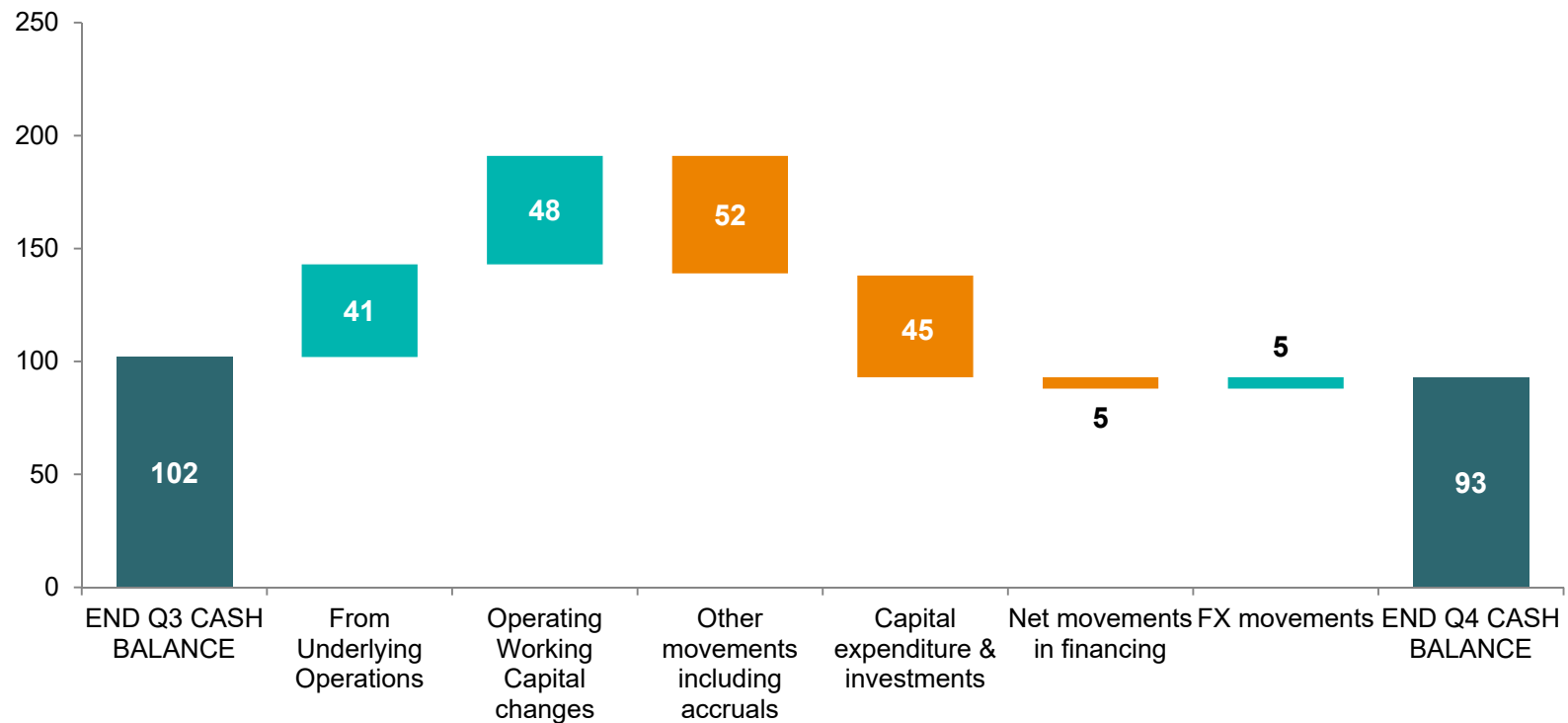
- High-Pressure: CNG Automotive and Mobile Pipeline™
- Low-Pressure: LPG (Propane)

* Preliminary unaudited financials
** Before Group eliminations



GROUP CASH MOVEMENTS Q4 2015

NOK million



Balanced inflows and outflows; maintaining good cash buffer



FINANCIAL POSITION V PREVIOUS QUARTER

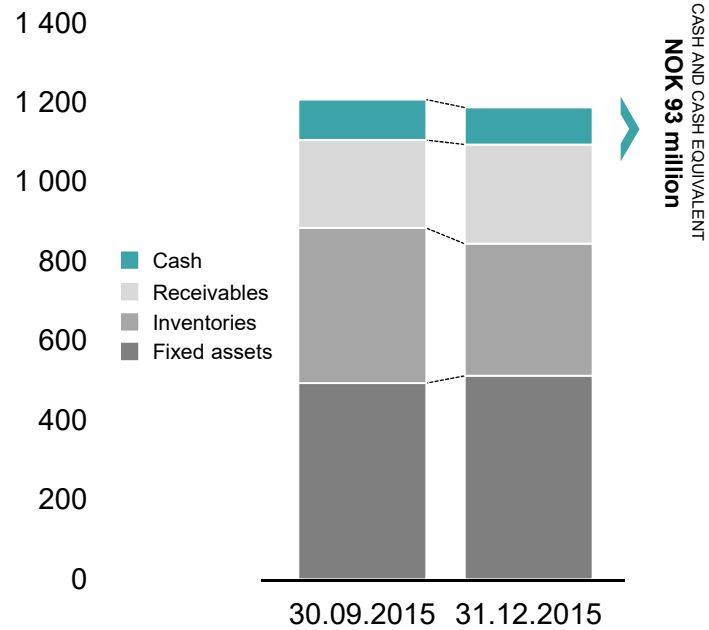
NOK MILLION	31.12.2015	30.9.2015	Change
Intangible assets	98.6	103.5	(4.9)
Tangible fixed assets	410.0	379.4	30.6
Other non-current assets	3.8	11.3	(7.5)
Total Non-current Assets	512.4	494.2	18.2
Inventories	332.4	390.2	(57.8)
Receivables	249.7	221.5	28.2
Bank deposits, cash and similar	93.2	101.7	(8.5)
Total Current Assets	675.3	713.4	(38.1)
Total Assets	1 187.7	1 207.6	(19.9)
Total Equity	469.7	444.6	25.1
Provisions	24.5	38.2	(13.7)
Long-term interest-bearing debt	382.9	382.6	0.3
Total Non-current Liabilities	407.4	420.8	(13.4)
Short-term interest-bearing debt	10.7	11.1	(0.4)
Other current liabilities	299.9	331.1	(31.2)
Total Current Liabilities	310.6	342.2	(31.6)
Total Liabilities	718.0	763.0	(45.0)
Total Equity and Liabilities	1 187.7	1 207.6	(19.9)

- Managed net Interest-bearing debt levels (NOK 301 million)
 - Positive net operational cash generation
 - Positive operating working capital movements primarily from US inventory reduction
 - Capital expenditures of NOK 46 million primarily in CNG US and LPG sites

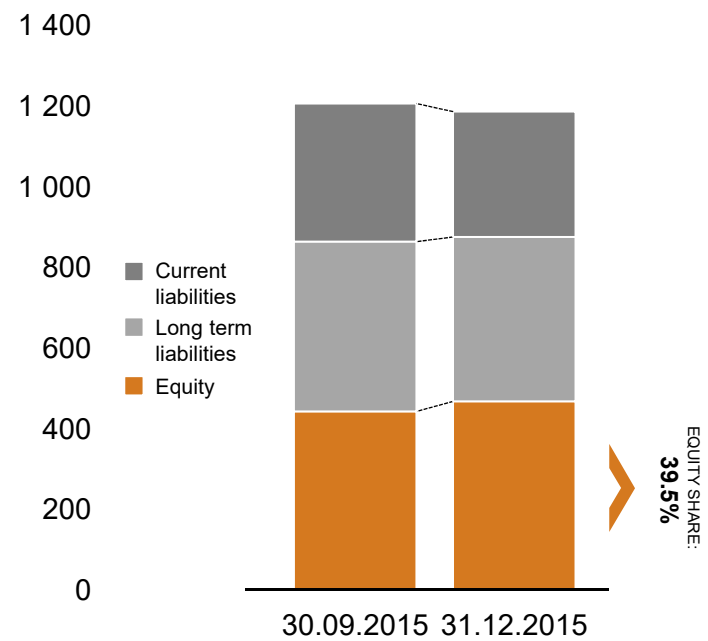


CONTINUED STRONG BALANCE SHEET

ASSETS NOK Million



LIABILITIES AND EQUITY NOK Million



PROFITABILITY DRIVE: REBALANCING OUR COST-BASE



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- Hexagon Raufoss (Light-Duty Vehicles) restructuring **completed end October '15**
 - Annualized cost reductions in excess of NOK 12 million
- Further cost saving measures **completed end October '15**, mainly in Lincoln
 - Annualized fixed and indirect cost reductions in excess of NOK 60 million
- Organization to remain agile for growth short and long term





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COMPOSITES

OUTLOOK AND KEY ACTIONS



MOBILE PIPELINE™

- Short term demand negatively impacted by low oil prices
 - Projects are postponed, but not cancelled
 - Natural gas economical for High Horse Power projects even at today's oil price
 - Purchase orders are again received in target segments, albeit in modest numbers
- Pursuing railroad opportunities in the US
 - CNG provides cost savings and emission reduction over diesel
- Re-direction of sales efforts to opportunities outside the US



TITAN® XL passed structural container testing for US DOT application

MOBILE PIPELINE™

– A SOLUTION TO LOCAL POLLUTION



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COMPOSITES

- Increased environmental advocacy to reduce local pollution
- Mobile Pipeline™ solutions enable industry to switch from oil to natural gas
 - reduced NOx and CO2 emissions
- ...and economically advantageous





CNG AUTOMOTIVE

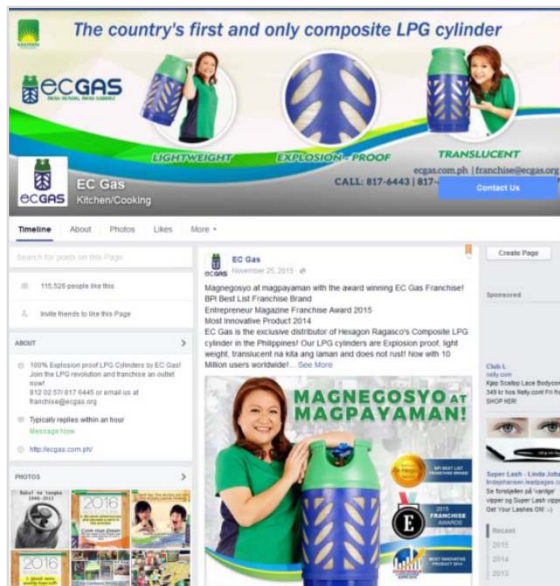
- North American Heavy-Duty segment remains robust
- Transit bus demand strong in North America
 - Somewhat slow start of year in Europe and RoW
- Improved prospects for Light Duty Vehicles following cost reductions and improved demand





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LPG GLOBAL MARKETING DRIVE

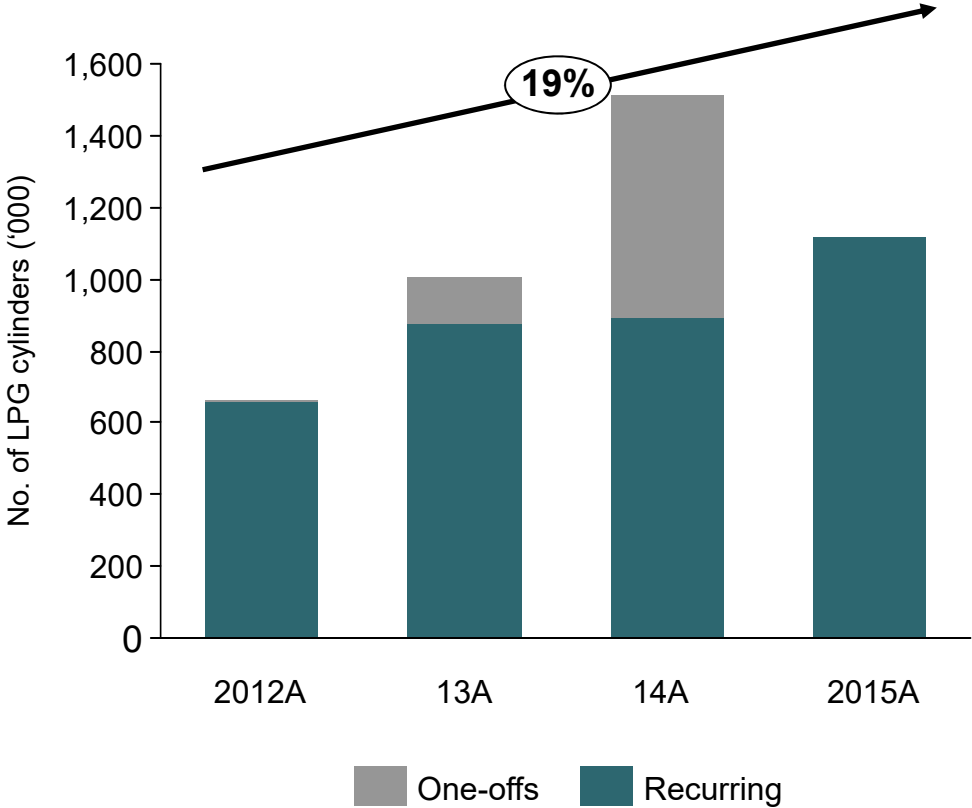


LPG – STRONG UNDERLYING GROWTH



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LPG sales 2012 – 2015



HYDROGEN – THE FUTURE



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Hydrogen is:

- 100% clean & 100% renewable
- The most abundant element in the universe and available to every nation
- Required in order to meet globally agreed targets on emissions and climate change

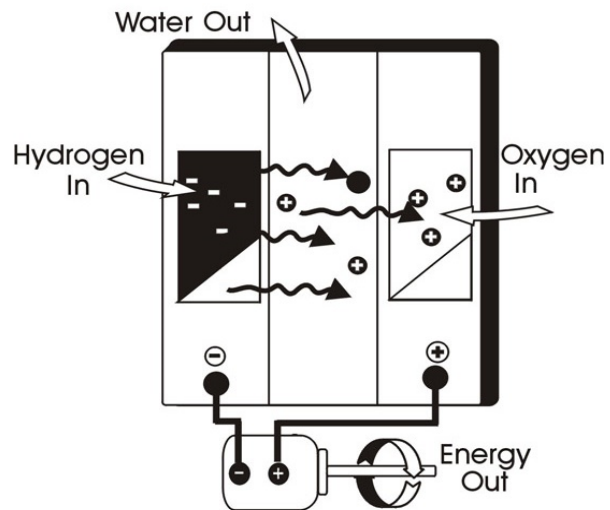


A FUEL CELL VEHICLE IS AN ELECTRIC VEHICLE FUELED BY HYDROGEN



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Hydrogen Fuel Cell





In a fuel cell, hydrogen from the fuel tank and oxygen from the air become electricity and water





BATTERY ELECTRIC VS FUEL CELL ELECTRIC

Fuel	Range	Advantages
<p>Electricity</p> <p>Fill time: 4-10 hours Station fills: 1-3 cars/day</p> 	<p>75 miles on a charge (2013 Nissan Leaf and Ford Focus Electric)</p> <p>300 (Tesla)</p>	<ul style="list-style-type: none">• Best for short range• Home refueling• No tailpipe emission
<p>Hydrogen</p> <p>Fill time: 5-7 min Station fills: 50+cars/day</p> 	<p>310 (2014 Toyota Fuel Cell)</p> <p>372 (2015 Hyundai Fuel Cell)</p>	<ul style="list-style-type: none">• Range as traditional fuel• Fill time as traditional fuel• Lower weight and volume¹• Lower investment¹• No tailpipe emission• Potentially lower overall emissions• No reduced efficiency in cold climate

¹ Assuming comparable range
Sources: FuelEconomy.gov, C.E.Thomas, PhD, H₂Gen Innovations, Inc

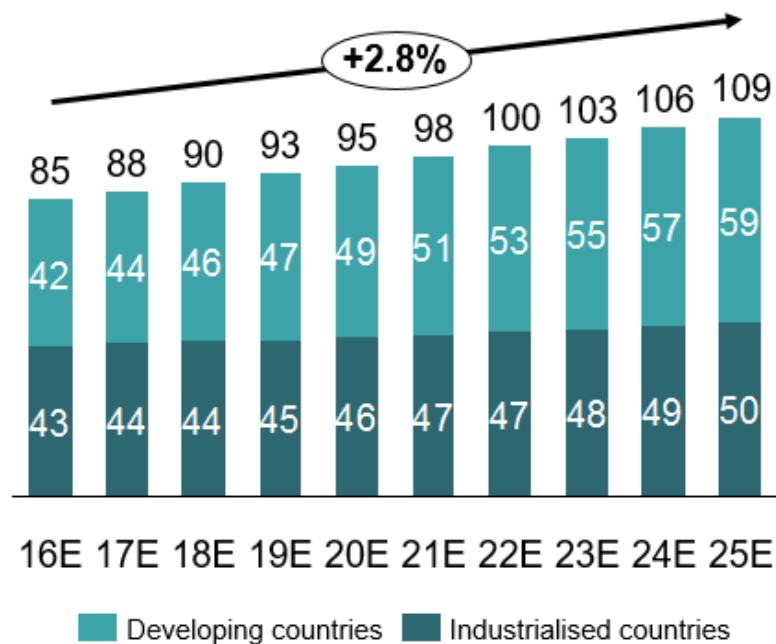
GROWTH IN PASSENGER CARS REPRESENTS A HUGE ENVIRONMENTAL CHALLENGE



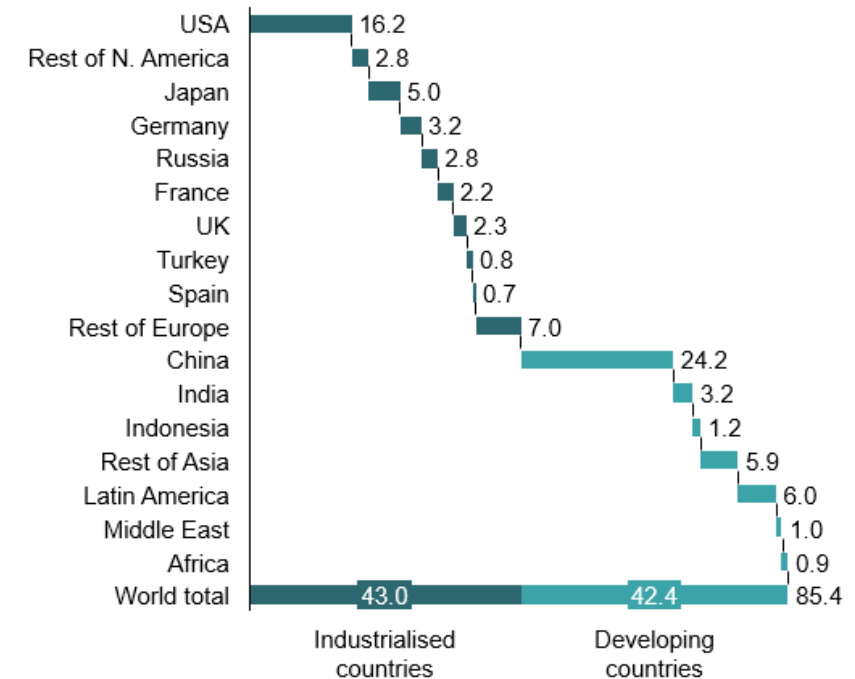
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Passenger car market is expected to increase¹

Global sales of light duty vehicles (# mn units)



Global light duty vehicles sales 2015 (# mn units)

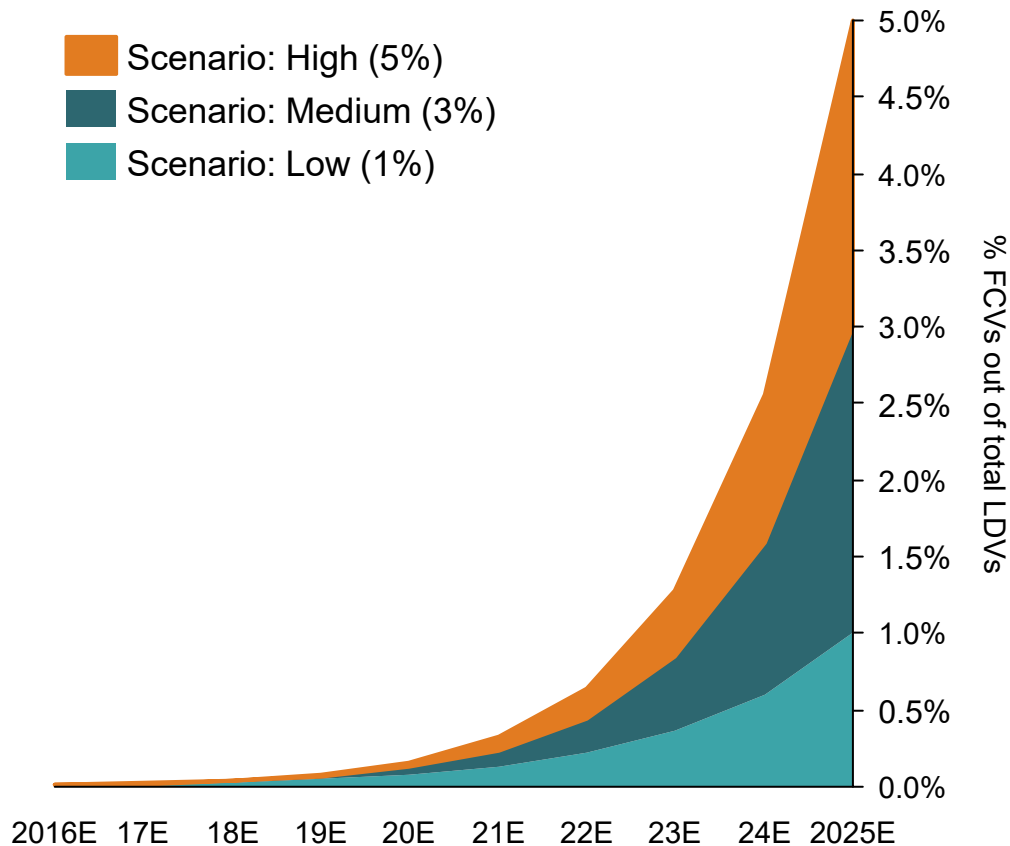


¹ Annual growth rates for light duty vehicle sales in developing and industrialized countries assumed to be 3.8% and 1.6% respectively
Source: Navigant research (total vehicle sales); Frost & Sullivan (geographical split)

FUEL CELL VEHICLE MARKET WILL GROW STRONGLY



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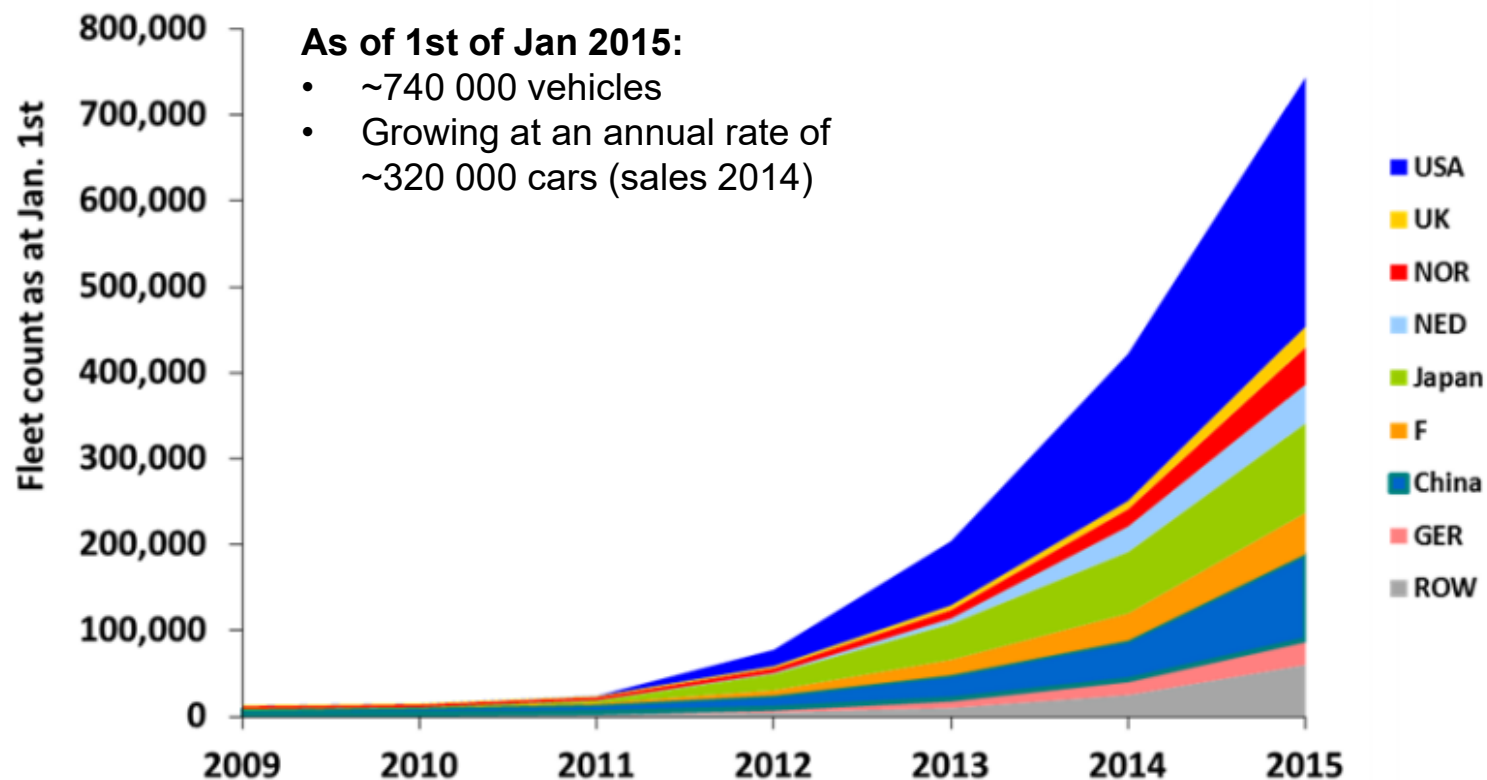


- Leading car manufacturers are now introducing fuel cell vehicles (FCV) as an alternative to battery electric and diesel/gasoline
- Based on known programs as of today ~410,000 fuel cell vehicles (FCV) will be delivered in 2025 –implying a global adoption of ~0.4%
- Additional programs expected to be launched over the next couple of years



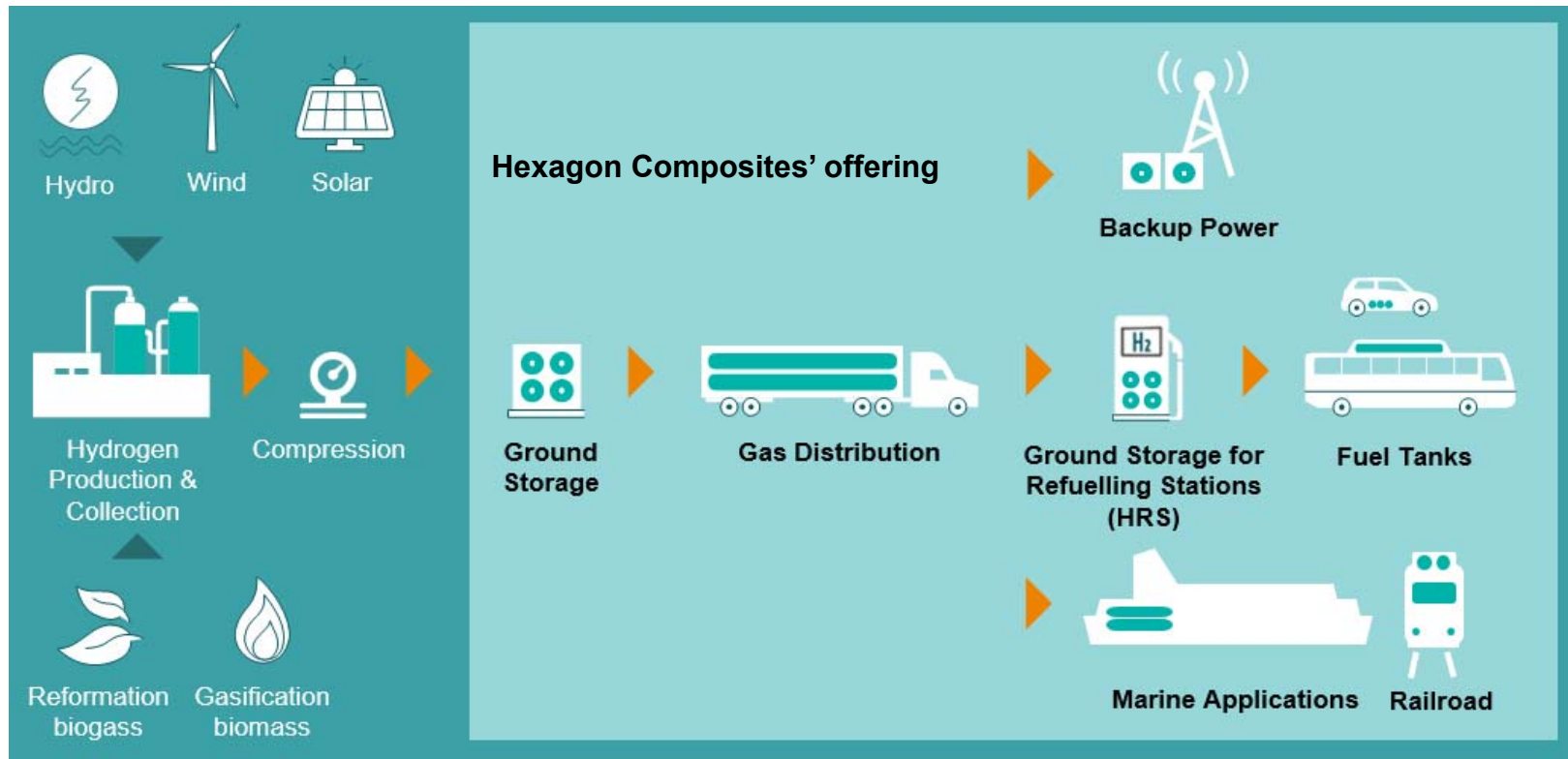
.... AND IT HAS HAPPENED BEFORE

Number Of Electric Passenger Cars In The World



SOURCE: Centre for Solar Energy and Hydrogen Research

HEXAGON COMPOSITES POSITIONED ACROSS THE HYDROGEN VALUE CHAIN





OUTLOOK

- Increased focus on local and global emissions driving demand for natural gas, biogas and hydrogen.
- The Heavy-Duty Vehicle segment remains robust
- The Mobile Pipeline™ business challenging short term
- Expecting further market adoption of our LPG cylinders around the world
- Strong momentum in Hydrogen





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QUESTIONS PLEASE

Jon Erik Engeset, CEO
David Bandele, CFO