

**Q4**  
**2016**



**HEXAGON  
COMPOSITES**

**OSLO, 22 FEBRUARY 2017**

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



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# AGENDA

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



## HIGHLIGHTS FROM Q4 2016

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- Growth of 19% in revenue in the LPG segment versus Q4 2015
  - Awarded several significant contracts in the quarter
- Solid Mobile Pipeline® sales in the quarter
  - New large order for North American oil & gas industry for delivery mainly in Q1 2017
- Signed Lol with Nel and PowerCell Sweden to establish a JV to pursue hydrogen opportunities
- Closed the Agility Fuel Solutions merger
  - Steady revenues for first reported quarter
- xperion acquisition signed and closed
  - Significant post acquisition integration effort





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4<sup>TH</sup>  
QUARTER 2016  
**FINANCIALS**



# CHANGES IN ACCOUNTING DURING Q4

## SIMPLIFIED

Q1-Q3

### No changes

- As previously reported

Q4

### Significant changes

- Mergers / de-consolidations: CNG medium & heavy duty Automotive business merged into Agility Fuel Solutions "Agility" and equity accounted as an investment with 50% ownership
- Consolidations: xperion Energy & Environment ("xperion") acquisition 100% ownership

### Key Impacts to Financials going forward

#### ➔ Profit & Loss Statement:

- 1 Lower revenue, EBITDA and EBIT (except for one-off gain) than before the transactions due to the deconsolidation effects being larger than the consolidation effects
- 2 One-off gain is recognized as a consequence of the Agility transaction
- 3 Higher depreciation on fair value of assets

#### ➔ Statement of Financial Position:

- 1 Larger total assets after fair value applied to the underlying assets of both M&A transactions
- 2 Increased Equity due to one-off gain
- 3 Earn-out provision as contingent consideration within the total investment cost

#### ➔ Comparative figures:

- 1 No restatement of 2016 or 2015 figures



# FINANCIAL HIGHLIGHTS Q4 2016

Group key figures NOK million	Q4 2015			Q4 2016*		
	Actual Reported basis	CNG now carved out to Agility JV	Proforma Ex xperion acquisition	Proforma Ex xperion acquisition	Xperion acquisition	Actual Reported basis
Operating Income	371	(146)	226	276	71	347
EBITDA	41	(43)	(2)	314	1	315
Net profit / (loss)	11	N/A	N/A	N/A	N/A	193

- Key factors impacting **EBITDA** this quarter:
  - One-off net gain – NOK +**348** m (after M&A costs of NOK 33 m)
  - Deconsolidation of CNG Automotive business – NOK -**17** m
  - M&A costs related to xperion – NOK -**16** m
  - Other one-off items or movements in accruals – NOK -**30** m
  - Hydrogen business unit in “investment” phase – NOK -**10** m
- Net profit impact – recognised tax accrual of NOK 122 m against the one-off gain
- xperion acquisition consolidated
  - Net NOK 1 m EBITDA contribution when combining profitable main operations site in Germany with losses in start-up phase US division

*\*Preliminary unaudited financials – new business combination*

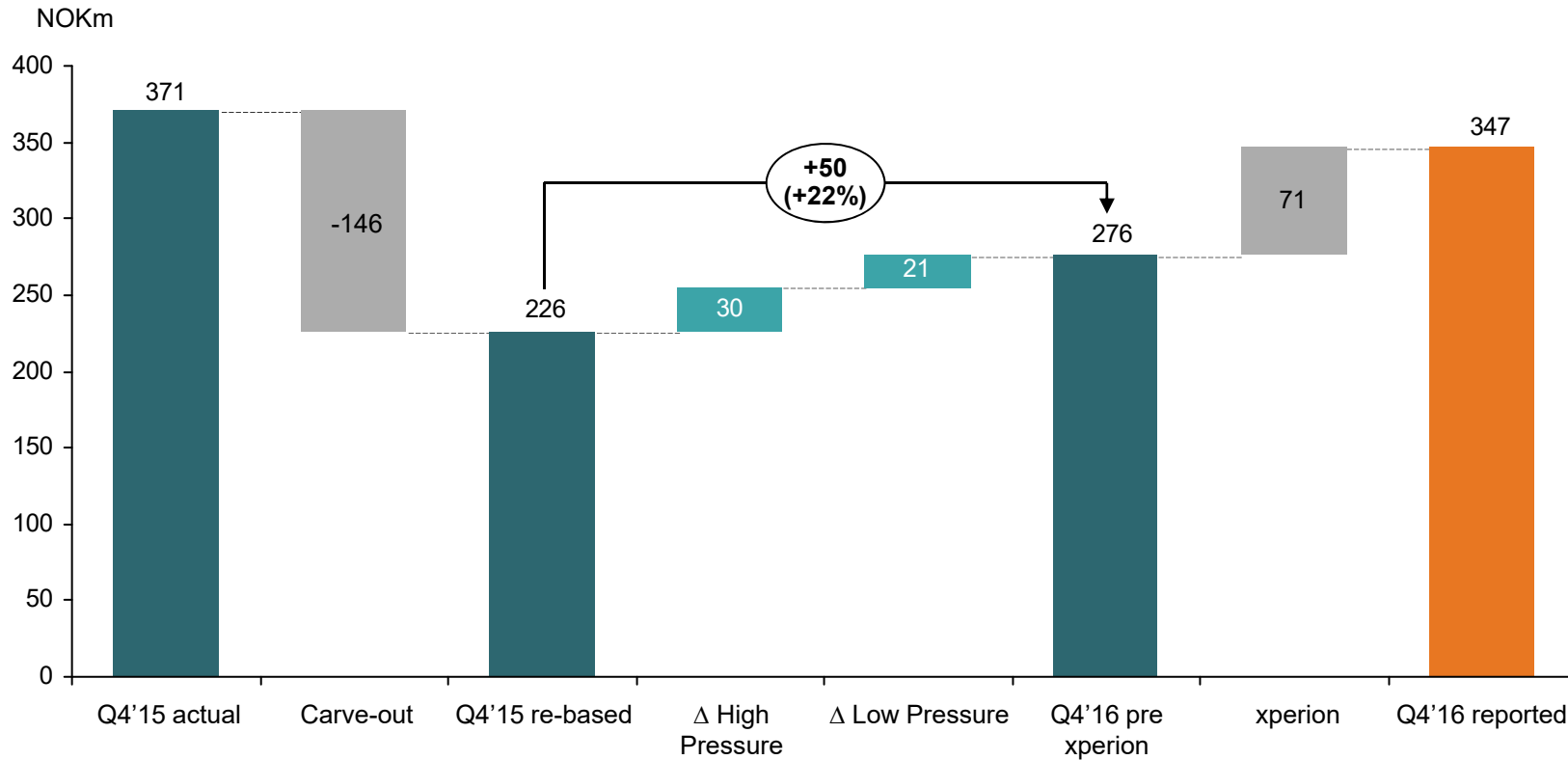
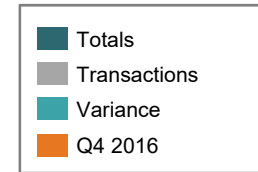


# Q4 2016 GROUP INCOME STATEMENT

NOK MILLION	THREE MONTHS ENDING			TWELVE MONTHS ENDING	
	31.12.16*	31.12.2015	Variance	31.12.16*	31.12.2015
<b>Operating Income</b>	<b>347,1</b>	<b>371,4</b>	<b>(24,3)</b>	<b>1 220,5</b>	<b>1 443,9</b>
Operating expenses	(380,6)	(330,5)	(50,1)	(1 193,8)	(1 343,8)
Exceptional Gains	348,2	0,0	348,2	348,2	0,0
<b>EBITDA</b>	<b>314,7</b>	<b>40,9</b>	<b>273,8</b>	<b>374,9</b>	<b>100,1</b>
Depreciation on tangibles	(13,4)	(14,8)	1,4	(59,8)	(49,0)
Amortisation and impairment	(12,6)	(7,4)	(5,1)	(15,8)	(13,6)
<b>EBIT</b>	<b>288,7</b>	<b>18,6</b>	<b>270,1</b>	<b>299,3</b>	<b>37,5</b>
Share of profit/(loss) from associates	(7,8)	(0,1)	(7,7)	(7,8)	(0,3)
Amortisation of associates intangibles	(3,2)	0,0	(3,2)	(3,2)	0,0
Other financial items (net)	27,2	(3,8)	31,0	14,0	(36,9)
<b>Profit/(loss) before tax</b>	<b>304,9</b>	<b>14,7</b>	<b>290,2</b>	<b>302,3</b>	<b>0,3</b>
Tax expense	(112,0)	(3,9)	(108,1)	(104,5)	4,3
<b>Profit/(loss) after tax</b>	<b>192,9</b>	<b>10,8</b>	<b>182,1</b>	<b>197,8</b>	<b>4,6</b>
<i>EBITDA %</i>	90.7%	11.0%		30.7%	6.9%
<i>EBIT %</i>	83.2%	5.0%		24.5%	2.6%
<i>NET PROFIT / (LOSS)%</i>	55.6%	2.9%		16.2%	0.3%

\*Preliminary unaudited financials – after incorporation of Agility and xperion M&A transactions and related costs and adjustments

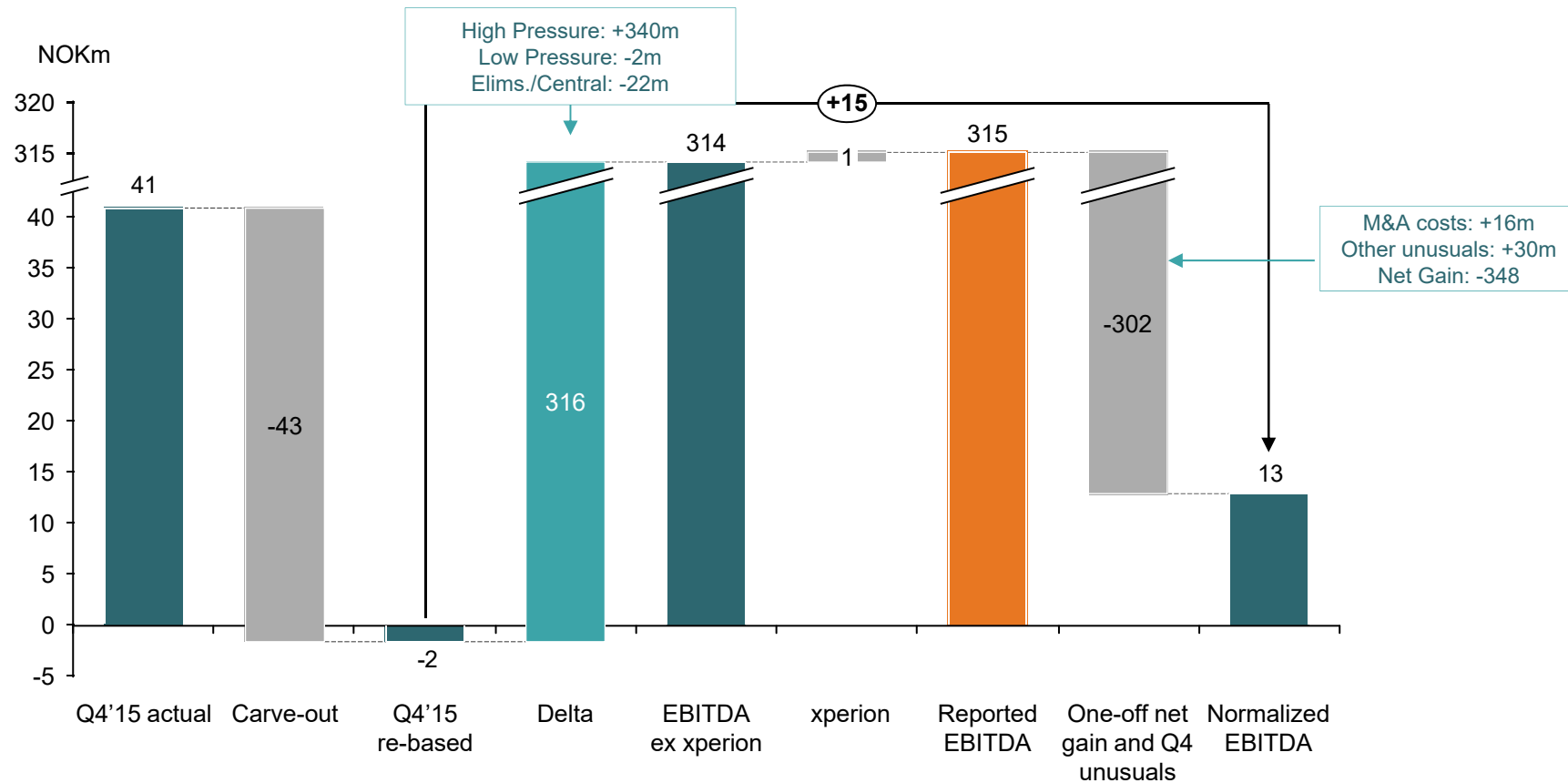
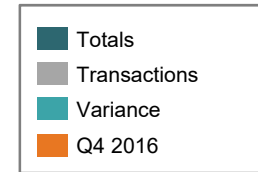
# REVENUE WALK Q4 2016\*



**Effect of carve-out of business to Agility merger larger than that of xperion acquisition**

*\*Preliminary unaudited financials*

# EBITDA WALK Q4 2016\*



**Normalised EBITDA shows modest underlying improvement after effects of M&A transactions**

*\*Preliminary unaudited financials*

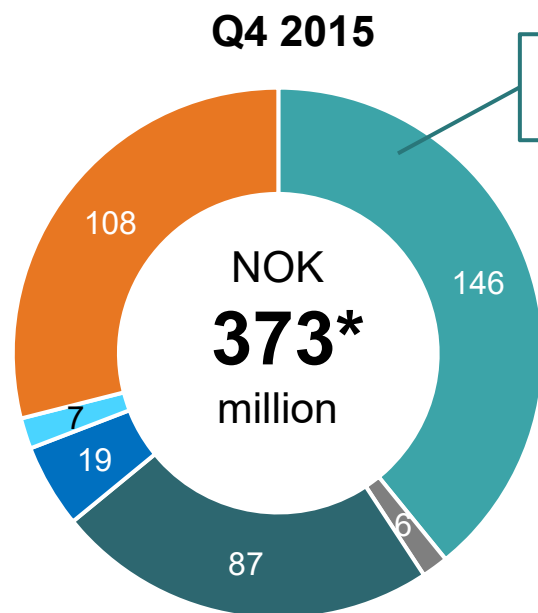
# SEGMENT SHARES Q4 2016

**BEFORE GROUP ELIMINATIONS\***

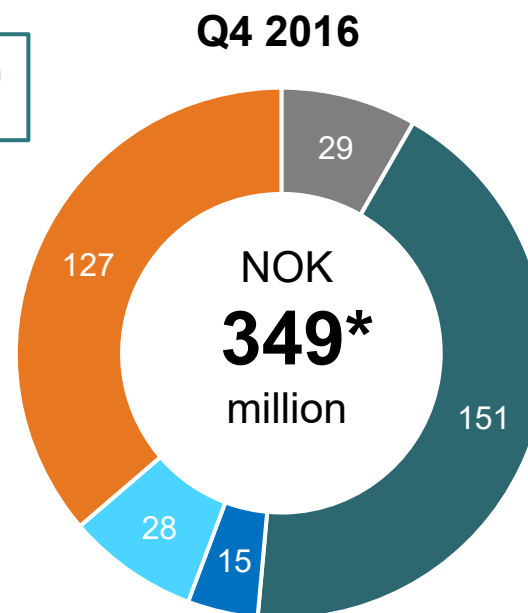


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## SHARE OF OPERATING INCOME



Deconsolidated from  
Q4 2016 onwards



- High-Pressure: CNG Automotive (Global) ex LDV
- High-Pressure: Light-Duty Vehicles (LDV)
- High-Pressure: Mobile Pipeline®
- High-Pressure: Hydrogen
- High-Pressure: MasterWorks & Other
- Low-Pressure: LPG (Propane)

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- High-Pressure: Mobile Pipeline®
- High-Pressure: Hydrogen
- High-Pressure: MasterWorks & Other
- Low-Pressure: LPG (Propane)



## Q4: HIGH-PRESSURE CYLINDERS

- Solid Mobile Pipeline® sales
  - Deliveries to large industrial orders
- Hydrogen business unit still in early growth phase
  - Orders and prospects are increasing ahead of realized sales
  - NOK 10 million negative effect within quarter
- MasterWorks business generating new income opportunities but still dilutive to profit
- Unusuals totaling NOK 26 million negatively impacted the quarter spread between indirect impacts of M&A and movements in accruals

NOK MILLION	SUMMARY FINANCIALS		
	Q4 2016	Q4 2015	Variance
<b>Operating Income</b>	<b>221,3</b>	<b>265,4</b>	<b>(44,1)</b>
Exceptional Gain	348,2	0,0	348,2
Operating expenses	(245,1)	(238,6)	(6,5)
<b>EBITDA</b>	<b>324,4</b>	<b>26,8</b>	<b>297,6</b>
Depreciation on tangibles	(8,8)	(10,3)	1,5
Amortisation and impairment	(12,0)	(7,8)	(4,2)
<b>EBIT</b>	<b>303,6</b>	<b>8,7</b>	<b>294,9</b>





## Q4: AGILITY FUEL SOLUTIONS

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- Revenues USD **36.8** million
- Reported EBITDA of USD **1.6** million;  
“Adjusted” EBITDA of USD **3.3** million
- Net debt USD **1.5** million
- *All results are preliminary and subject to final audit approval especially in relation to taxes, IFRS and Purchase Price Allocation adjustments. Relevant disclosures will be included in the final audited Annual Report and Accounts in March 2017*



# Q4: AGILITY FINANCIAL EFFECTS FOR GROUP REPORTING

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- Net gain on transaction within EBITDA of NOK **348** million
- Deferred Tax accrual on Gain = NOK **122** million
- Share of profit/(loss) in Q4 = NOK **-11** million of which -8 m is from operations and -3 m is depreciation from related intangible assets
- Total share of Equity on transaction date = NOK **971** million
- Amount of Intangible assets recognized subject to depreciation = NOK **244** million



## Q4: LOW-PRESSURE CYLINDERS

- 19% year-over-year sales growth
- Deliveries to new Asian and South American markets in the quarter
- Strong Order book position and prospects for 2017
- Movement in accruals totalling NOK -4 million and productivity inefficiencies negatively impact profitability

NOK MILLION	SUMMARY FINANCIALS		
	Q4 2016	Q4 2015	Variance
<b>Operating Income</b>	<b>128,7</b>	<b>108,1</b>	<b>20,6</b>
Operating expenses	(114,3)	(91,7)	(22,6)
<b>EBITDA</b>	<b>14,4</b>	<b>16,4</b>	<b>(2,0)</b>
Depreciation and impairment	(4,4)	(4,0)	(0,4)
Amortisation and impairment	0,0	0,0	0,0
<b>EBIT</b>	<b>10,0</b>	<b>12,4</b>	<b>(2,4)</b>





# FINANCIAL POSITION V PREVIOUS QUARTER

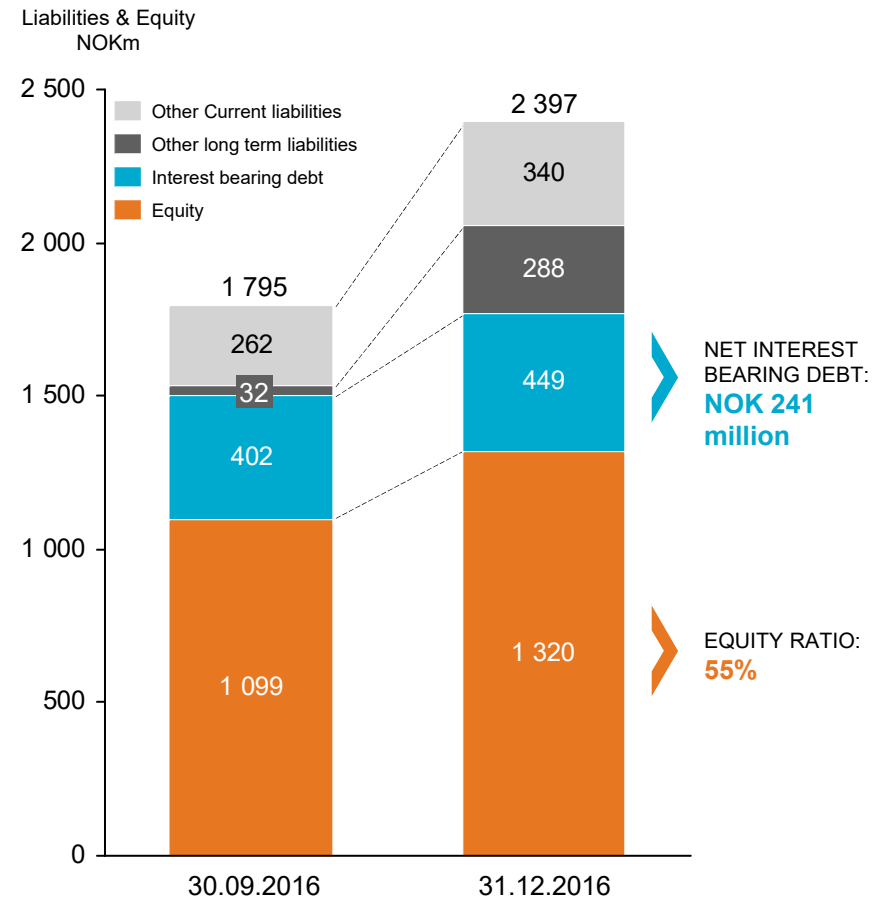
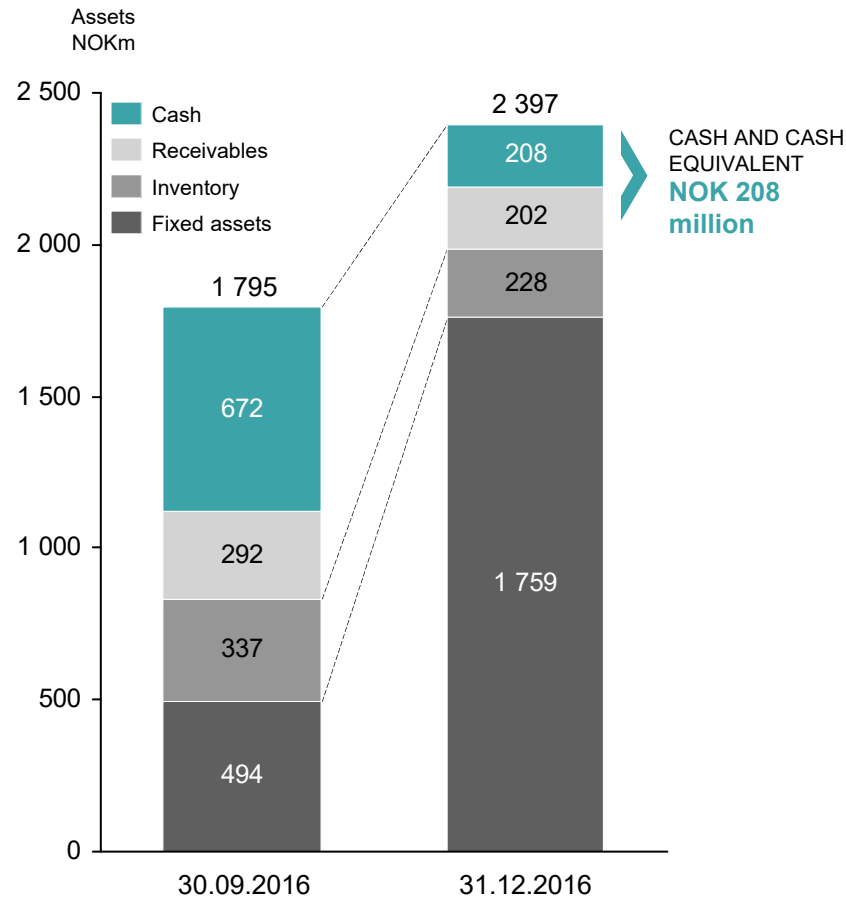
NOK MILLION	Balance sheet per		
	31.12.2016*	30.09.2016	Change
Intangible assets	532,2	108,0	424,2
Tangible fixed assets	260,6	381,6	(121,0)
Investments in JVs and associates	964,0	0,0	964,0
Other non-current assets	2,6	4,6	(2,0)
<b>Total Non-current Assets</b>	<b>1 759,4</b>	<b>494,2</b>	<b>1 265,2</b>
Inventories	227,5	337,3	(109,8)
Receivables	201,7	291,9	(90,2)
Bank deposits, cash and similar	208,0	671,6	(463,6)
<b>Total Current Assets</b>	<b>637,2</b>	<b>1 300,8</b>	<b>(663,6)</b>
<b>Total Assets</b>	<b>2 396,6</b>	<b>1 795,0</b>	<b>601,6</b>
<b>Total Equity</b>	<b>1 320,2</b>	<b>1 099,0</b>	<b>221,2</b>
Long-term interest-bearing debt	439,9	402,3	37,6
Other non-current liabilities	287,8	31,9	255,9
<b>Total Non-current Liabilities</b>	<b>727,7</b>	<b>434,2</b>	<b>293,5</b>
Short-term interest-bearing debt	8,8	0,0	8,8
Other current liabilities	339,9	261,8	78,1
<b>Total Current Liabilities</b>	<b>348,7</b>	<b>261,8</b>	<b>86,9</b>
<b>Total Liabilities</b>	<b>1 076,4</b>	<b>696,0</b>	<b>380,4</b>
<b>Total Equity and Liabilities</b>	<b>2 396,6</b>	<b>1 795,0</b>	<b>601,6</b>

- Intangibles increase due to purchase price and earn-out consideration excess over book values
- Tangibles, inventories and receivables reduce with carve out of assets contributed to Agility JV
- Investments in JV and associates recognises our share of the Agility JV
- Cash reduces due to M&A considerations
- Equity increased by gain on Agility transaction
- Other non current liabilities includes earn-out xperion and deferred tax provision for Agility transaction
- Other Current liabilities increase with xperion; Reductions from Agility carve out offset by movements in deferred income and amounts owed to Agility

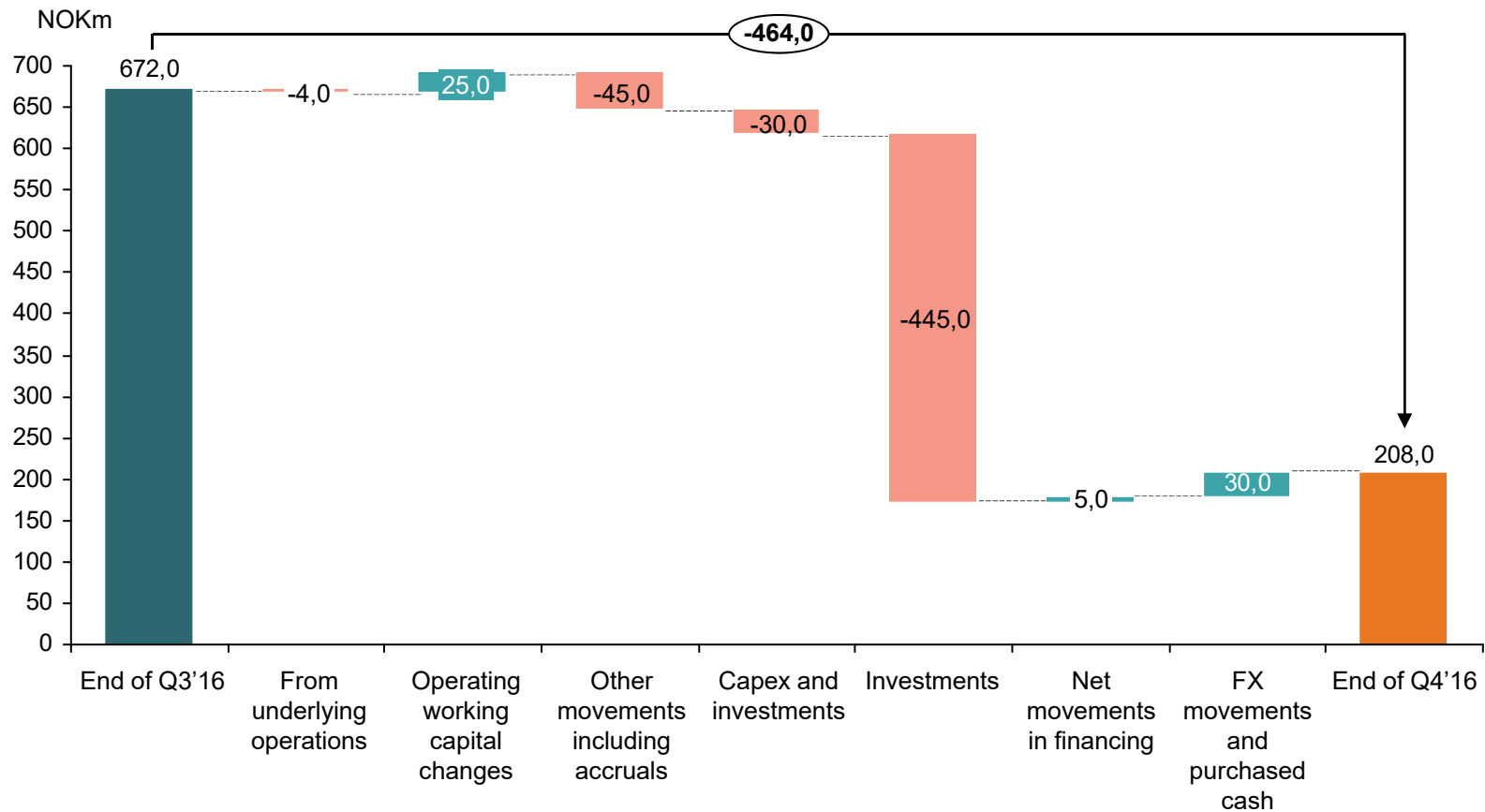
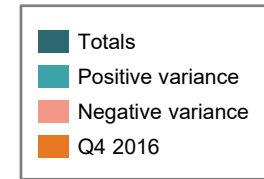
\*Preliminary unaudited financials



# LARGE IMPACT OF M&A TRANSACTIONS



# GROUP CASH MOVEMENTS Q4'16



**Group cash movements primarily driven by Agility and xperion transactions**



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Unaudited Preliminary  
FULL YEAR 2016

**P & L**



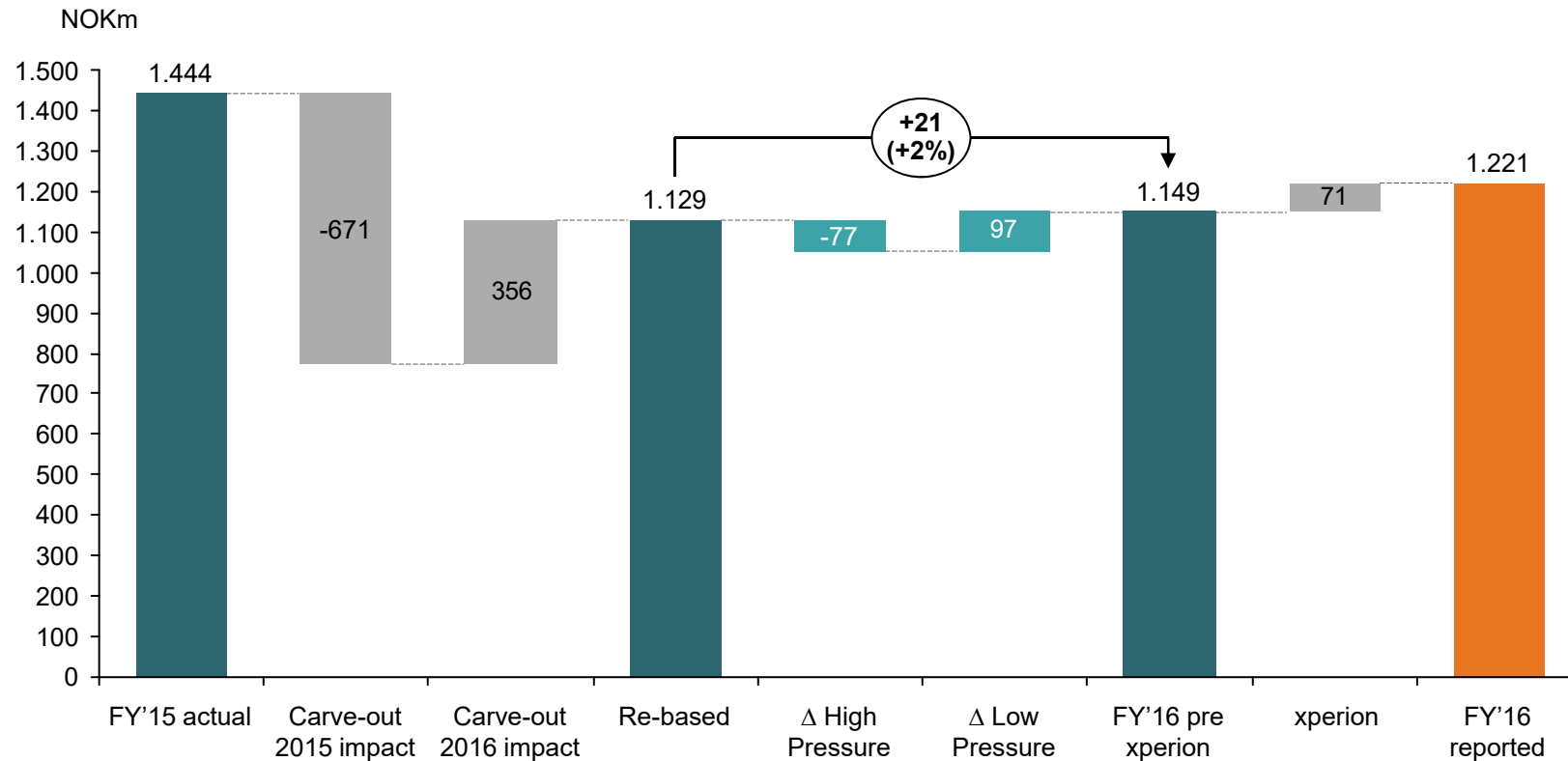
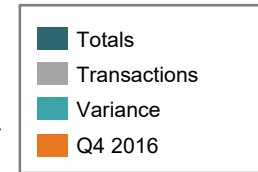
# SUMMARY COMMENTS 2016 FULL YEAR

- Low-Pressure delivered 24% top-line growth
- Lower sales versus 2015 in High-Pressure mainly due to:
  - Lower Mobile Pipeline® & Heavy-Duty US truck and rest of world transit bus volumes through Q3
  - Net impact of excluding CNG business merged into Agility versus including acquired xperion business
- Cost initiatives helped dampen effects of lower High-Pressure volumes
- High direct and indirectly related costs in a year of significant strategic and M&A activity

Group key figures in NOK million	2016* Actual Reported basis	2015 Actual Reported basis
Operating Income	1 221	1 444
EBITDA	375	100
Net profit / (loss)	198	4

*\*Preliminary unaudited financials – new business combination*

# REVENUE WALK FULL YEAR 2016\*



**2016 was a good year for Low-Pressure but remained a challenging year for High-Pressure**

\*Preliminary unaudited financials

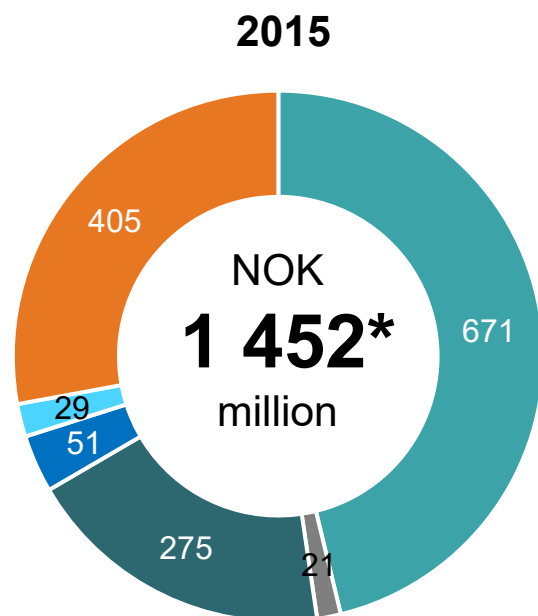
# SEGMENT SHARES FULL YEAR 2016

**BEFORE GROUP ELIMINATIONS\***

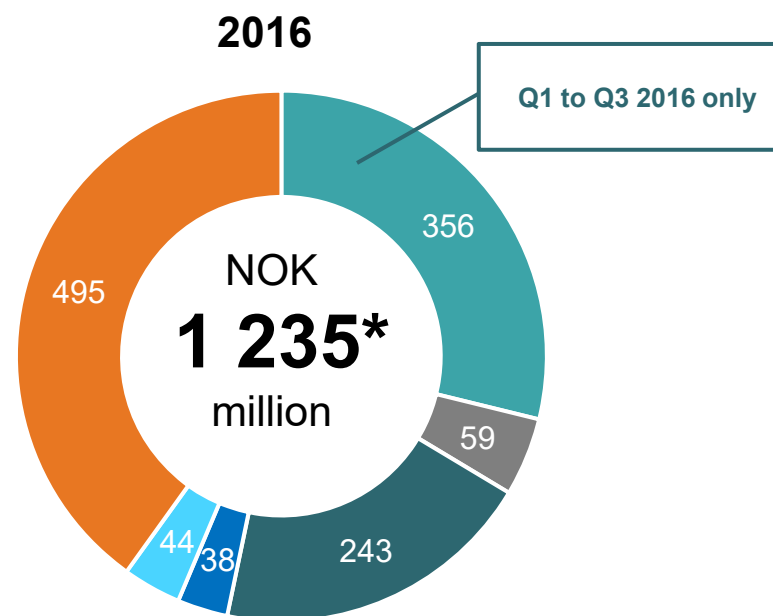


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## SHARE OF OPERATING INCOME

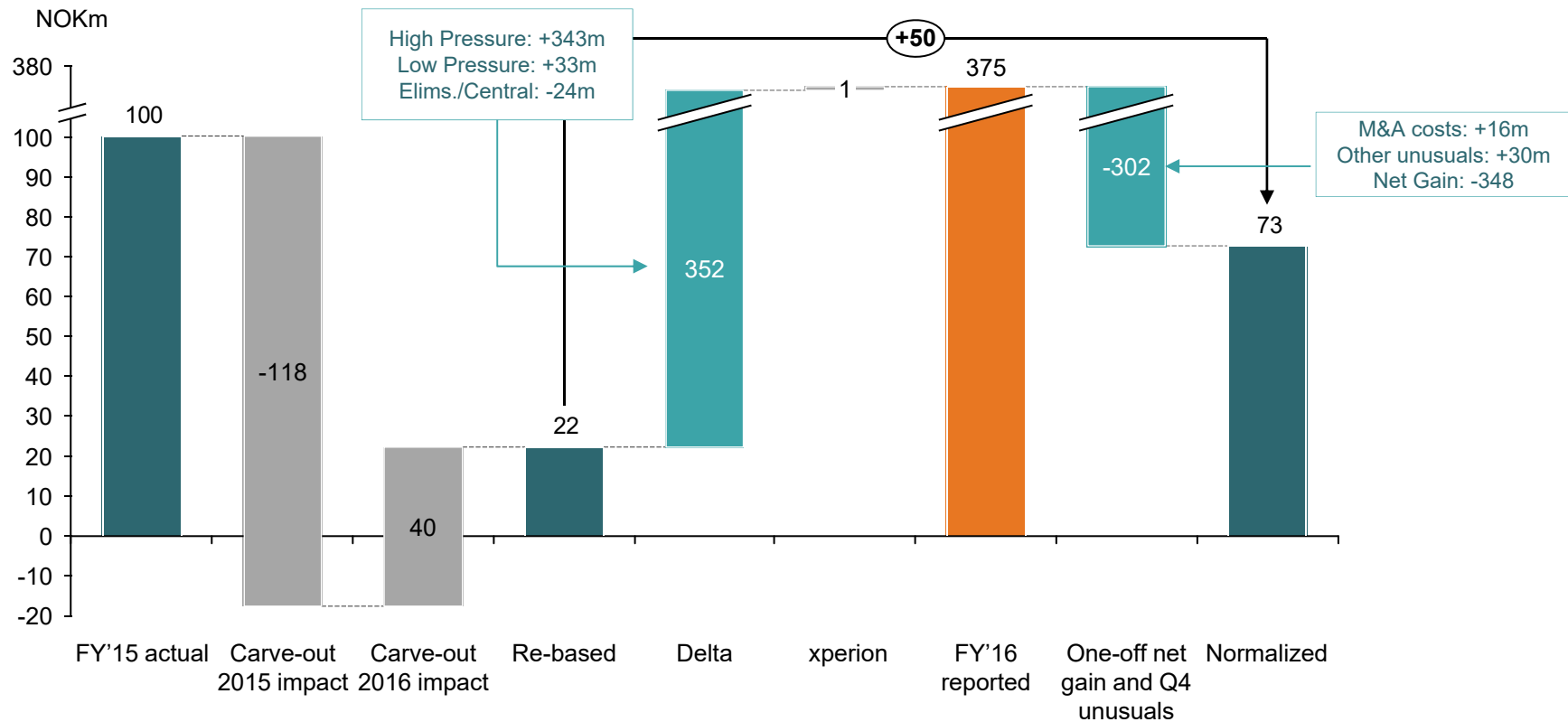
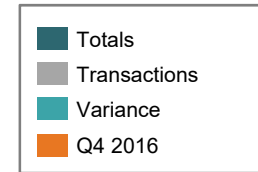


- High-Pressure: CNG Automotive (Global) ex LDV
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# EBITDA WALK FULL YEAR 2016\*



**Effect on Group EBITDA of moving to Equity accounting for the Agility business is significant**

\*Preliminary unaudited financials

# FINANCIAL SCORECARD RECAP

PRELIMINARY FULL YEAR 2016\*



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- Injected NOK 666 million in equity from strong strategically aligned partner
- Market cap increased by NOK 1.4 billion to NOK 4.5 billion over the calendar year
- Funded significant strategic M&A
- Reduced Net debt by NOK 60 million
- Retained a strong equity ratio of 55%



**Stabilised our financial position, enabled non-organic growth and positioned for synergies**

\*Preliminary unaudited financials

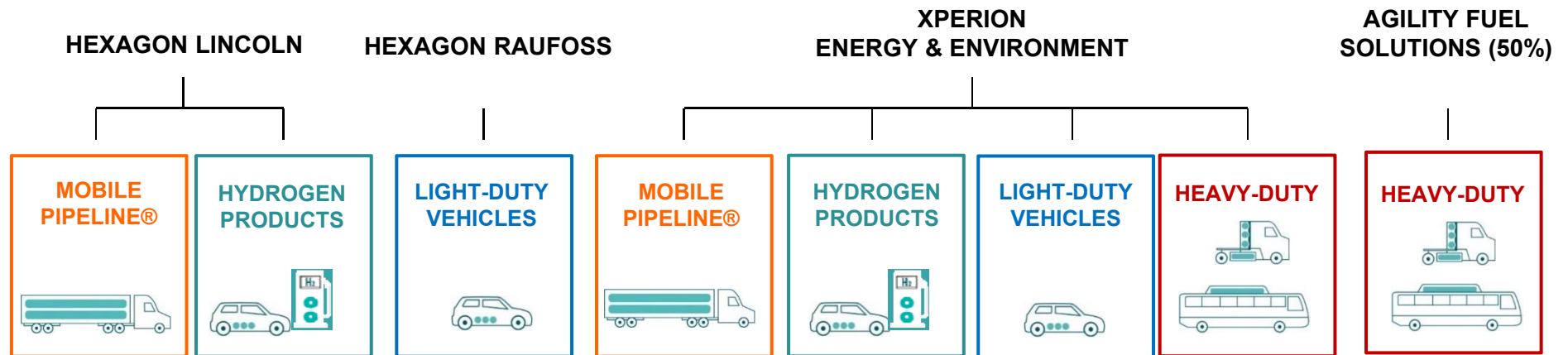


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# OUTLOOK



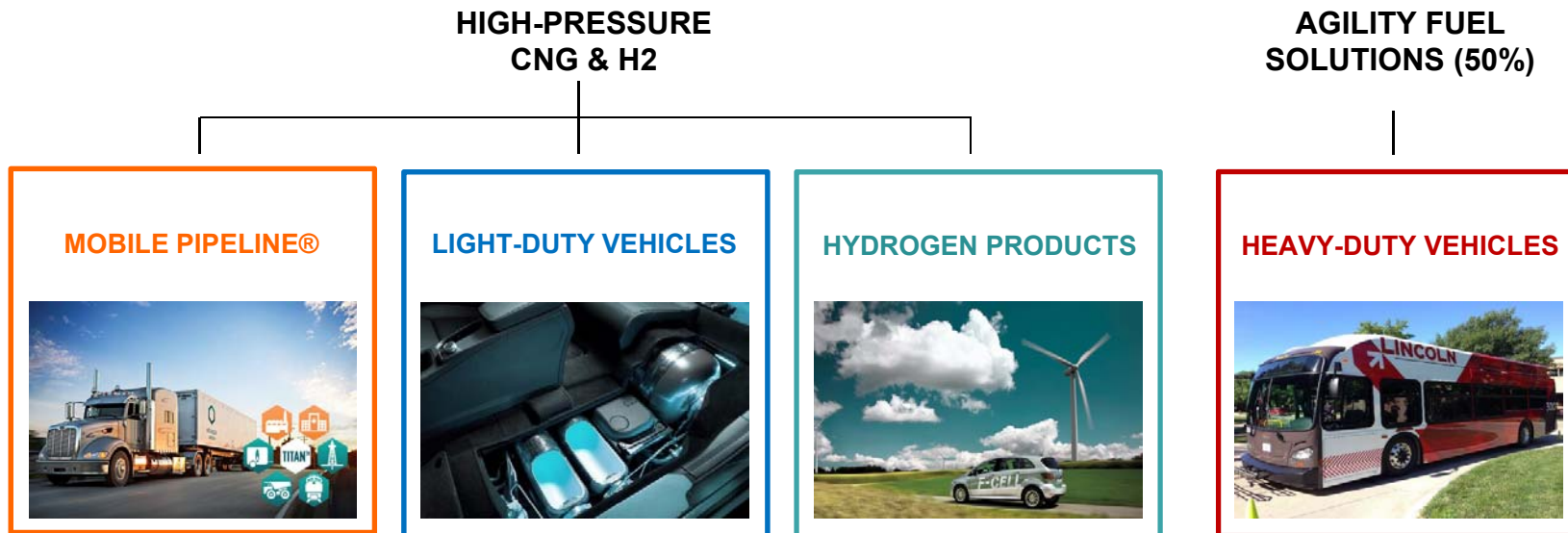
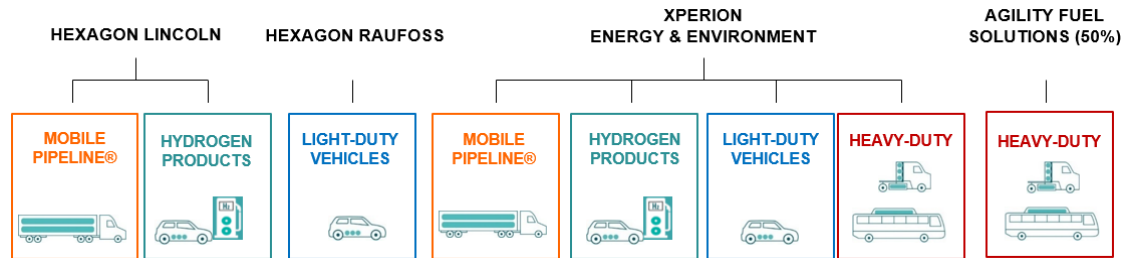
# INTEGRATION OF XPERION AND HEXAGON



# INTO A FOCUSED HIGH-PRESSURE STRUCTURE



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# MOBILE PIPELINE®

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- Good order book for Q1
- Mobile Pipeline® regains traction in North America
  - Rebound in onshore gas rig count
  - New competitors entering the scene
    - Margin pressure
  - Continued lumpy demand
- Biogas = Renewable Natural Gas (RNG) gains ground
  - North America:
    - Ontario (Canada) announced Natural Gas Grant program
  - Europe:
    - Increasing interest for biogas as a vehicle fuel, especially for transit buses and trucks
    - Financial support systems for the use of biogas are in place in most European countries



Hexagon Lincoln TITAN® XL Trailer

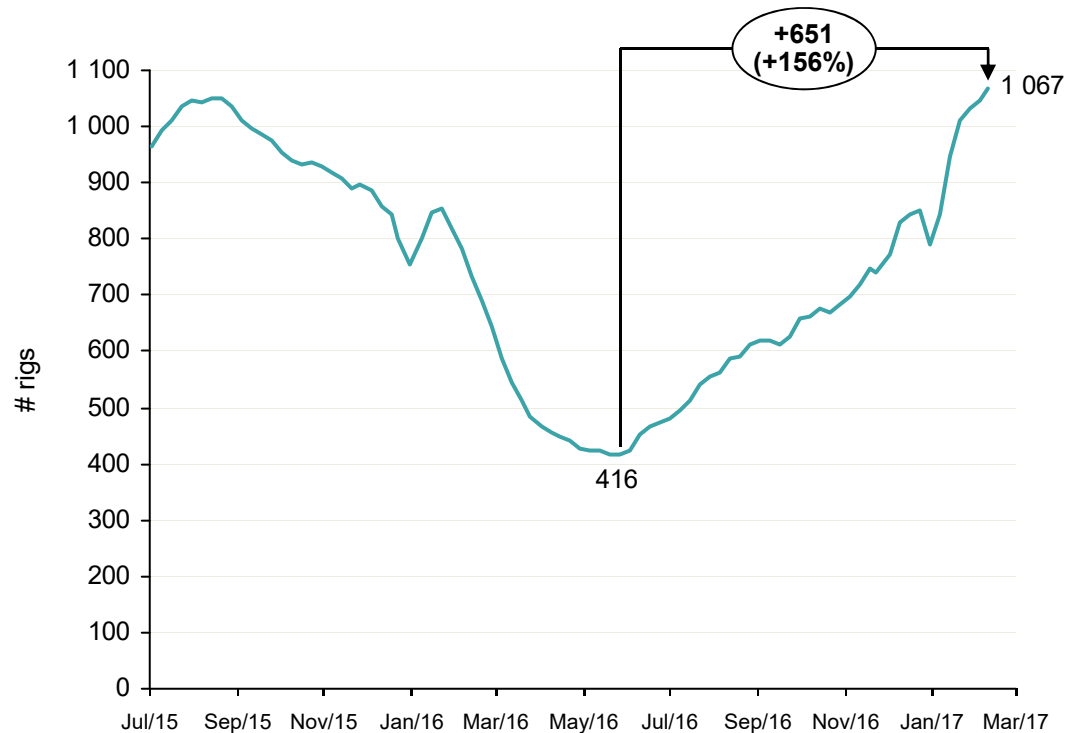
# REBOUND IN NORTH AMERICAN ONSHORE RIG COUNT

POSITIVE DATA POINT FOR MOBILE PIPELINE® DEMAND



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North America onshore O&G rig count



Comments

- US and Canada onshore O&G rig count is a precursor for North American onshore gas activity
- Strong and steady uptick since bottom in May 2016
- February 10<sup>th</sup> count showed +651 rigs (+156%) versus May 2016
- Back to Q3/Q4 2015 levels

Source: Baker Hughes (Data per 10 February 2017)



# MOBILE PIPELINE®

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- Mobile Pipeline® regains traction in North America
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Hexagon Lincoln TITAN® XL Trailer



# LIGHT-DUTY VEHICLES CNG

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- The combined Hexagon and xperion businesses have created a global market leader within this market segment
- Improving market prospects and phasing-in of new CNG models in 2017
- Re-fit market in Indonesia remains active



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

# HYDROGEN

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- Extreme increase in interest and project leads
- Acquisition of xperion has significantly strengthened Hexagon's market and technology position
- Signed Letter of Intent with Nel ASA and PowerCell Sweden AB to establish a JV
  - Initial focus on marine & maritime projects
  - Hydrogen car ferry projects are emerging
- The business unit is still in a very early development stage
  - Will remain loss making short and medium term



*The first hydrogen ferry?*  
Photo: Multi Maritime/Fiskerstrand



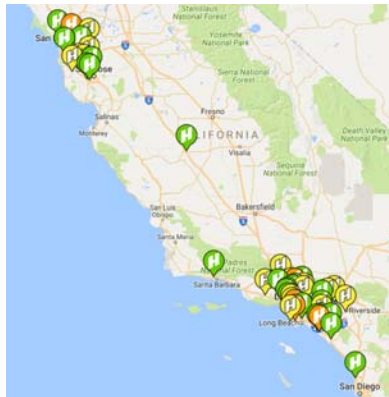
The world's first hydrogen regional trains  
Photo: Alstom – Coradia iLint

# REFUELING INFRASTRUCTURE TAKING SHAPE



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## California, US



Green = open | Yellow = under construction  
Source: California Fuel Cell Partnership

## Scandinavia



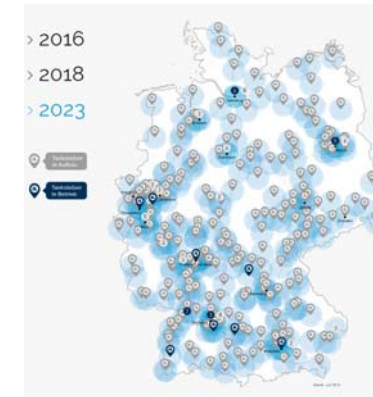
Green = open | Yellow = planned  
Source: Ludwig-Bölkow-Systemtechnik

## Japan



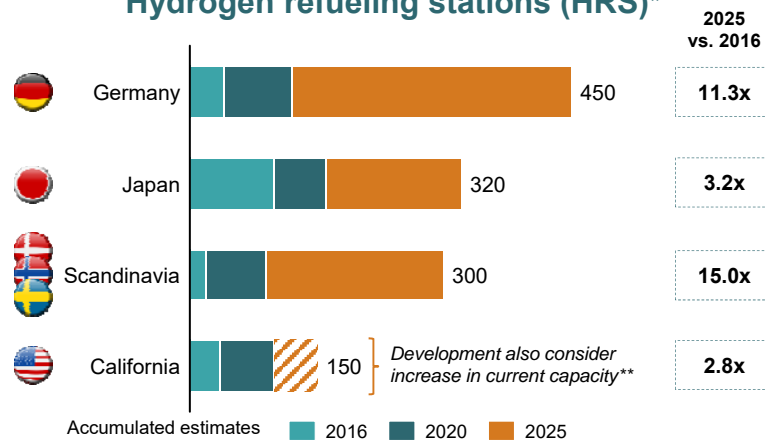
Green = open | Yellow = planned  
Source: Ludwig-Bölkow-Systemtechnik

## Germany



Blue = open | Grey = under construction  
Source: H2 Mobility

## Hydrogen refueling stations (HRS)\*



\* Hexagon Composites estimates  
\*\* California Air Resources Board ([www.arb.ca.gov](http://www.arb.ca.gov))

# MAJOR INDUSTRY PLAYERS TAKING A STANCE



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The Hydrogen Council Members:



*“Hydrogen energy holds the trump card for energy security and measures to address global warming. Our regulatory reforms thus far will soon open the way to a hydrogen society of the future here in Japan.”*

Shinzō Abe, Prime Minister of Japan  
20 January 20 2017

# AGILITY FUEL SOLUTIONS



HEXAGON  
COMPOSITES

- 2017 Heavy Duty Market expected to be stagnant
  - Growth expected to resume towards the end of the year
- Biogas stimulating demand in several countries / states
  - First refuse orders delivered in the US
- Tighter oil market would stimulate demand
- Optimization initiatives will improve profitability and competitiveness

THE TIMES  
THURSDAY FEBRUARY 9 2017

SUBSCRIBE

## Waitrose lorries to be fuelled by gas from rotting food

Deirdre Hipwell, Retail Editor

February 9 2017, 12:01am, The Times



Waitrose is the first company in Europe to use the biomethane lorries commercially  
MATT HOWELL

Waitrose is to become the first company in Europe to use lorries which are run entirely on biomethane gas generated from food waste.

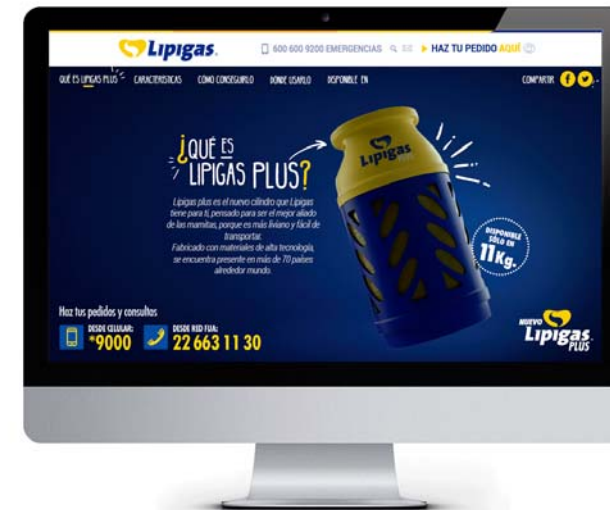
It has teamed up with CNG Fuels, a supplier of renewable biomethane gas, to introduce ten lorries into its fleet. They can run for up to 500 miles on the gas by-product of rotting vegetable matter and other food waste.

*The Times, 9 February 2017*



# LPG CYLINDERS

- Strong order book
- High capacity utilization in first half of 2017
  - At a point where capacity increase has to be considered
- Investing in process, technology and product improvements





# OUTLOOK – SUMMARY

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- Mobile Pipeline® outlook positive but limited visibility from Q2
- Sound market growth expected for Light-Duty Vehicles
- Momentum in the Low-Pressure area remains strong
  - Market demand visibility points to continued double-digit growth
- Stagnant short term market for Agility but better market signals towards end of 2017
- Integration of xperion according to plan and synergies will be realized in 2017
- Continued position shift from product supplier to solutions provider

→ Growth and harvesting synergies main priorities short and medium term

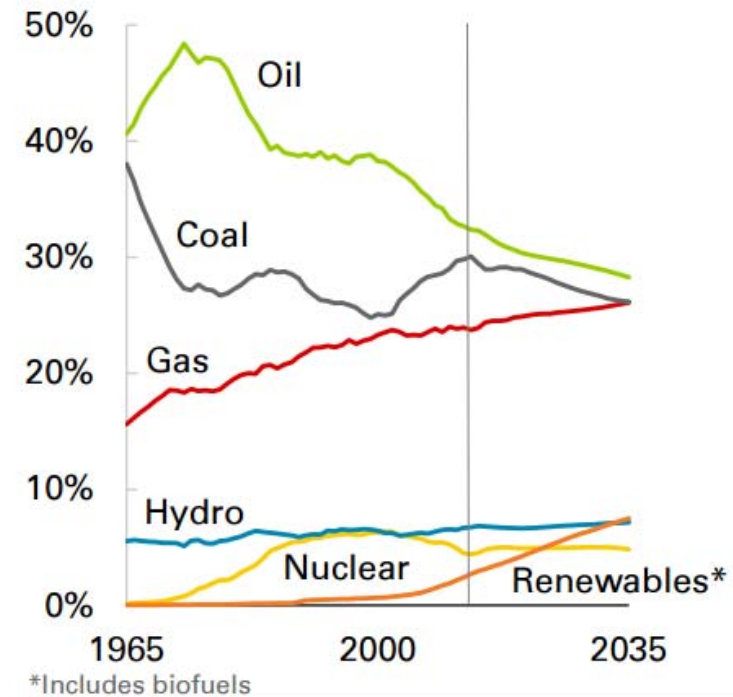
# INTERNATIONAL ENERGY AGENCY (IEA) PREDICTS SHIFT TO RENEWABLES AND NATURAL GAS



- IEA sees major role for natural gas
  - Enormous growth potential within the industrial, building and transportation sectors
- A new global energy mix is taking shape
  - Natural gas will supplement a range of forms of renewable energy
- Biogas sector in Europe is growing steadily
  - By 2020 all regions in UK will have fueling stations available



Global shares of primary energy



Source: BP February 2015 Energy Outlook



HEXAGON  
COMPOSITES

## QUESTIONS PLEASE

Jon Erik Engeset, CEO  
David Bandele, CFO