



HEXAGON

Q4

OSLO, 14 FEBRUARY 2018

JON ERIK ENGESET, CEO  
DAVID BANDELE, CFO

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# Agenda

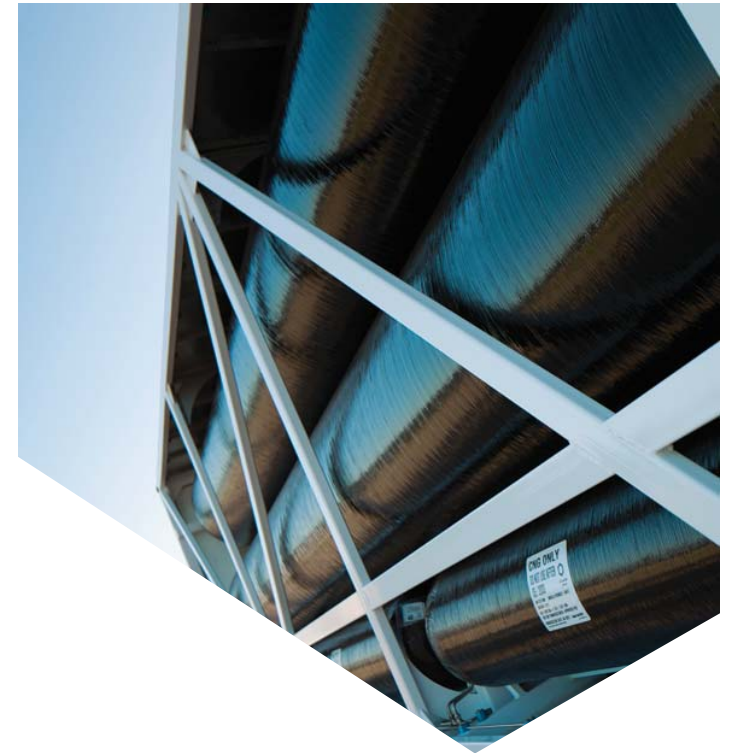
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- Group highlights
- Group financials & segment overview
- New segment reporting
- Outlook
- Q & A

## Highlights from Q4 2017

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- Solid year-over-year growth in profit across all business units
  - Continued momentum in High-Pressure
- Strong Hydrogen volume growth
  - Rail and transportation continue to gain commercial traction
- Steady profitability in Light-Duty Vehicles
- Strong Mobile Pipelines volumes in the quarter
  - North America is still the main growth driver
  - Recovering volume in Rest of world
- Weak quarter for Agility Fuel Solutions
  - However strong growth in profitability for full year 2017
- Low-Pressure delivered on profit and capex milestones
  - Ended a record year with 30% growth of revenue in 2017





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4TH

QUARTER 2017

# FINANCIALS

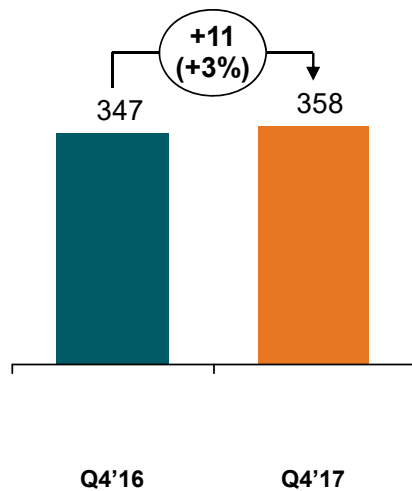
# Financial highlights Q4 2017

## Solid Profitability and strong cash generation



### Revenues

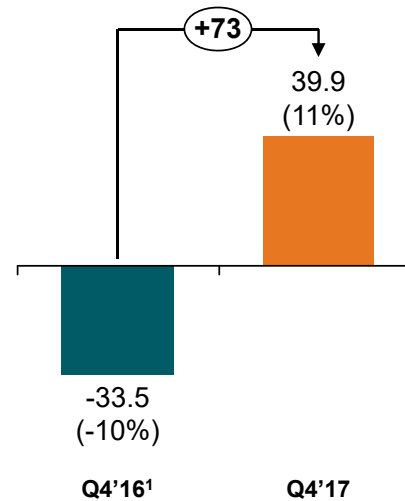
NOKm



- Hydrogen and Light-Duty Vehicles drive growth
- Strong volumes within Mobile Pipelines

### EBITDA<sup>1</sup>

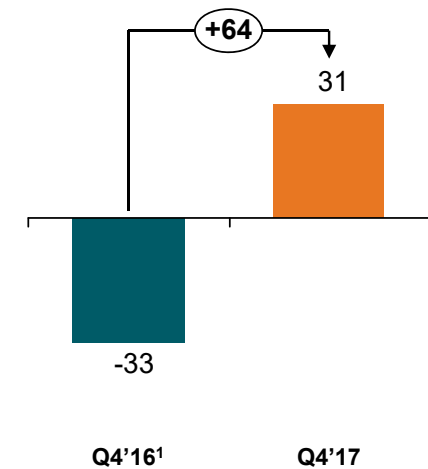
NOKm, ex Q4'16 extraordinary gain of NOK 348m



- Positive profit growth across all business units
- Continued momentum in High-Pressure

### Net profit<sup>1</sup>

NOKm, ex Q4'16 extraordinary gain net of tax provision of NOK 226m



- Currency effects negative year over year
- Tax charges effects positive year over year

<sup>1</sup>Excluding reported extraordinary gain on Agility transaction

## Q4 2017 Group income statement

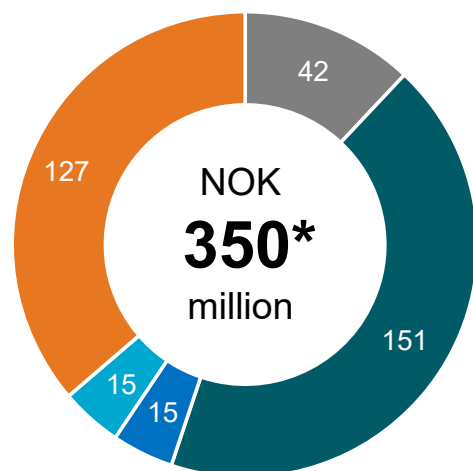
NOK MILLION	QUARTER			FULL YEAR <sup>1</sup>		
	Q4 2017	Q4 2016	Variance	2017	2016	Variance
<b>Operating Income</b>	<b>358.5</b>	<b>347.1</b>	<b>11.4</b>	<b>1 429.4</b>	<b>1 220.5</b>	<b>208.9</b>
Operating expenses	(318.5)	(380.6)	62.1	(1 255.4)	(1 193.8)	(61.5)
Exceptional Gains	0.0	348.2	(348.2)	0.0	348.2	(348.2)
<b>EBITDA</b>	<b>39.9</b>	<b>314.7</b>	<b>(274.8)</b>	<b>174.0</b>	<b>374.9</b>	<b>(200.8)</b>
Depreciation on tangibles	(13.5)	(13.4)	(0.1)	(52.4)	(59.8)	7.4
Amortisation and impairment	(6.7)	(12.6)	5.9	(22.3)	(15.8)	(6.6)
<b>EBIT</b>	<b>19.7</b>	<b>288.7</b>	<b>(269.0)</b>	<b>99.3</b>	<b>299.3</b>	<b>(200.0)</b>
Share of profit/(loss) from associates	(12.5)	(7.8)	(4.7)	(3.0)	2.1	(5.1)
Amortisation of associates intangibles	(3.4)	(3.2)	(0.2)	(13.6)	(3.6)	(10.1)
Other financial items (net)	(1.6)	27.2	(28.8)	(34.4)	14.1	(48.4)
<b>Profit/(loss) before tax</b>	<b>2.2</b>	<b>304.9</b>	<b>(302.7)</b>	<b>48.2</b>	<b>311.9</b>	<b>(263.6)</b>
Tax expense	28.3	(112.0)	140.3	21.0	(103.6)	124.6
<b>Profit/(loss) after tax</b>	<b>30.6</b>	<b>192.9</b>	<b>(162.4)</b>	<b>69.3</b>	<b>208.3</b>	<b>(139.0)</b>
<i>EBITDA %</i>	11.1 %	90.7 %		12.2 %	30.7 %	
<i>EBIT %</i>	5.5 %	83.2 %		6.9 %	24.5 %	
<i>NET PROFIT / (LOSS)%</i>	8.5 %	55.6 %		4.8 %	17.1 %	

<sup>1</sup>2017 = Preliminary and unaudited

# Segment shares Q4 2017 | Before Group eliminations\*

## Operating income Q4'16

*NOKm, before group eliminations*

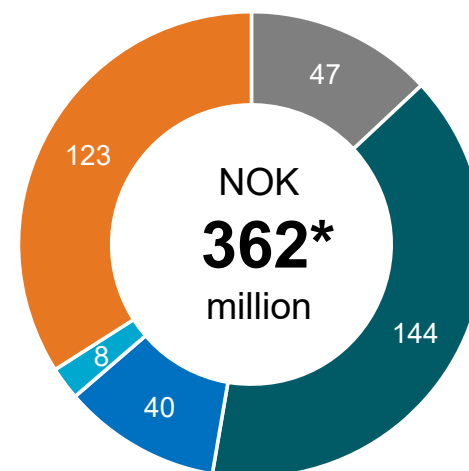


- High-Pressure: Light-Duty Vehicles (LDV)
- High-Pressure: Mobile Pipeline®
- High-Pressure: Hydrogen
- High-Pressure: MasterWorks & Other
- Low-Pressure: LPG (Propane)

*NOTE: NOK 13 million reclassified to LDV from Other*

## Operating income Q4'17

*NOKm, before group elimination*

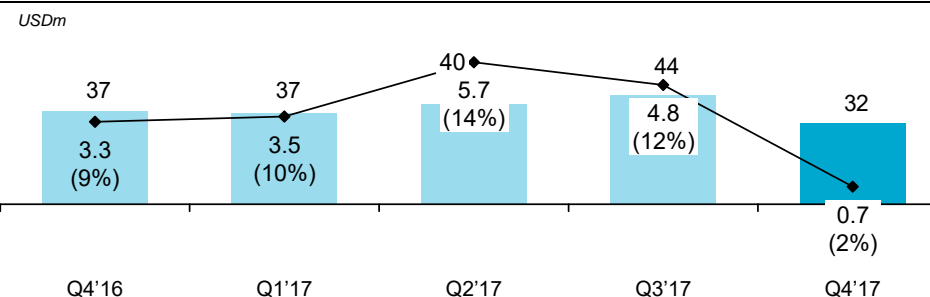


- High-Pressure: Light-Duty Vehicles (LDV)
- High-Pressure: Mobile Pipeline®
- High-Pressure: Hydrogen
- High-Pressure: MasterWorks & Other
- Low-Pressure: LPG (Propane)

# Agility Fuel Solutions Q4 2017

- Weak 4<sup>th</sup> quarter for revenues and margin after 3 successive solid quarters in 2017
- Good cash and working capital position
  - Fully-funded
- Weak Heavy-Duty Truck deliveries in quarter
  - Order patterns disrupted by delayed launch of new near-zero 12L engine
- Bus volumes relatively soft in quarter
  - Year-over-year decline vs. strong 2016 in US
- Strongest quarter in 2017 for Refuse Truck sales
  - Recovery strong in second half of year
- Powertrain Systems (propane) on track to business plan

## Revenues and adjusted EBITDA\*



## Q4 2017 EBITDA to profit before tax

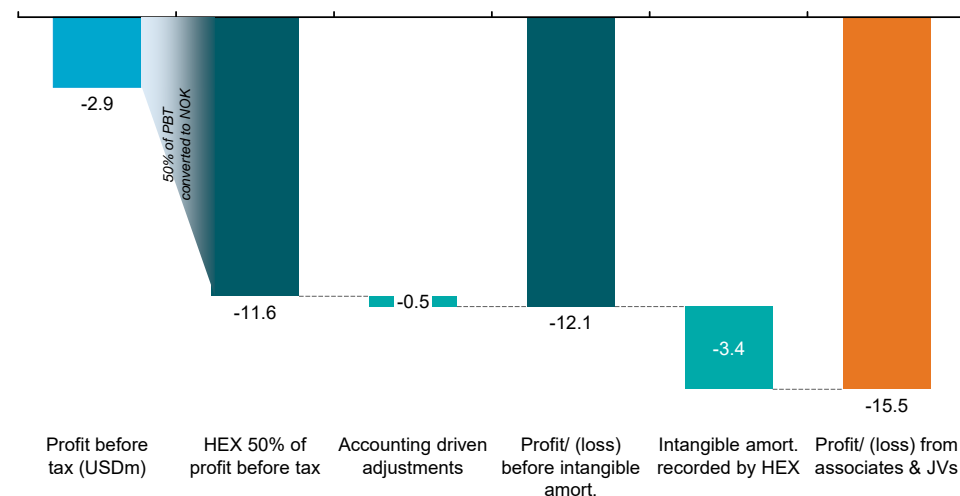


## Effects for Group reporting Q4 2017

- Additional accounting adjustments including amortization of intangible assets add to loss for quarter
- However, US tax reforms revising tax rate downwards to 21% has positive impact to the Deferred tax liability recognized as part of the initial Agility transaction
- Impact of this adjustment is + NOK 40 million reflected in Net Profit through credits to the tax expense line

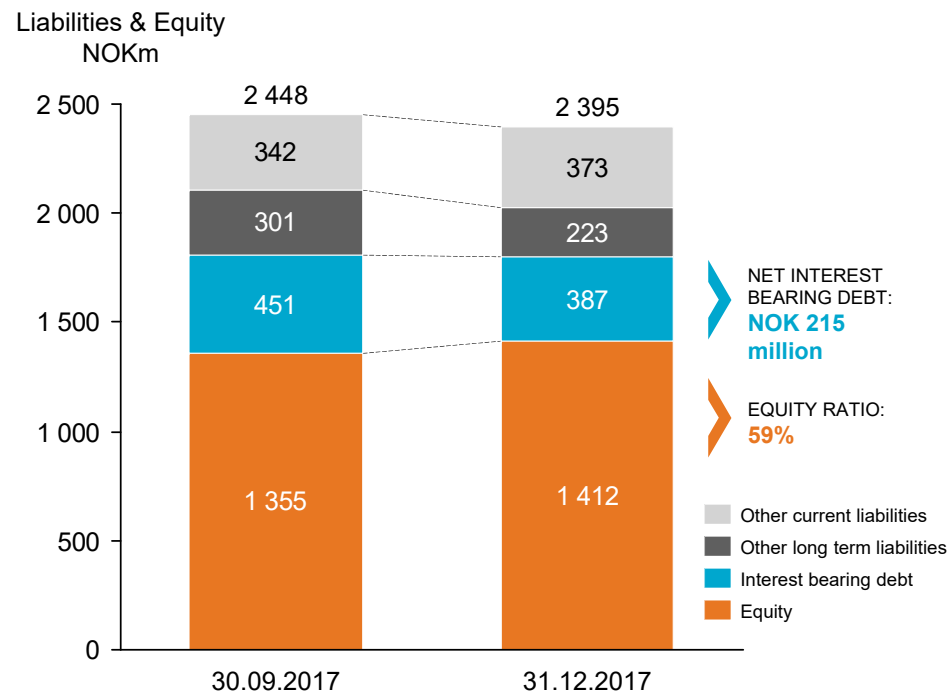
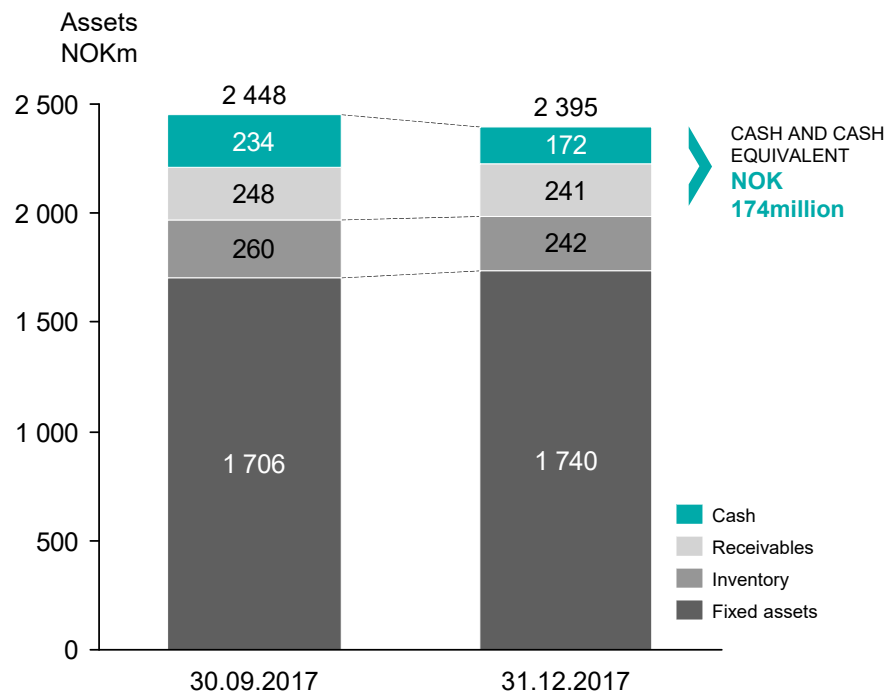
### Agility impact to Group P&L

*NOKm unless otherwise stated*



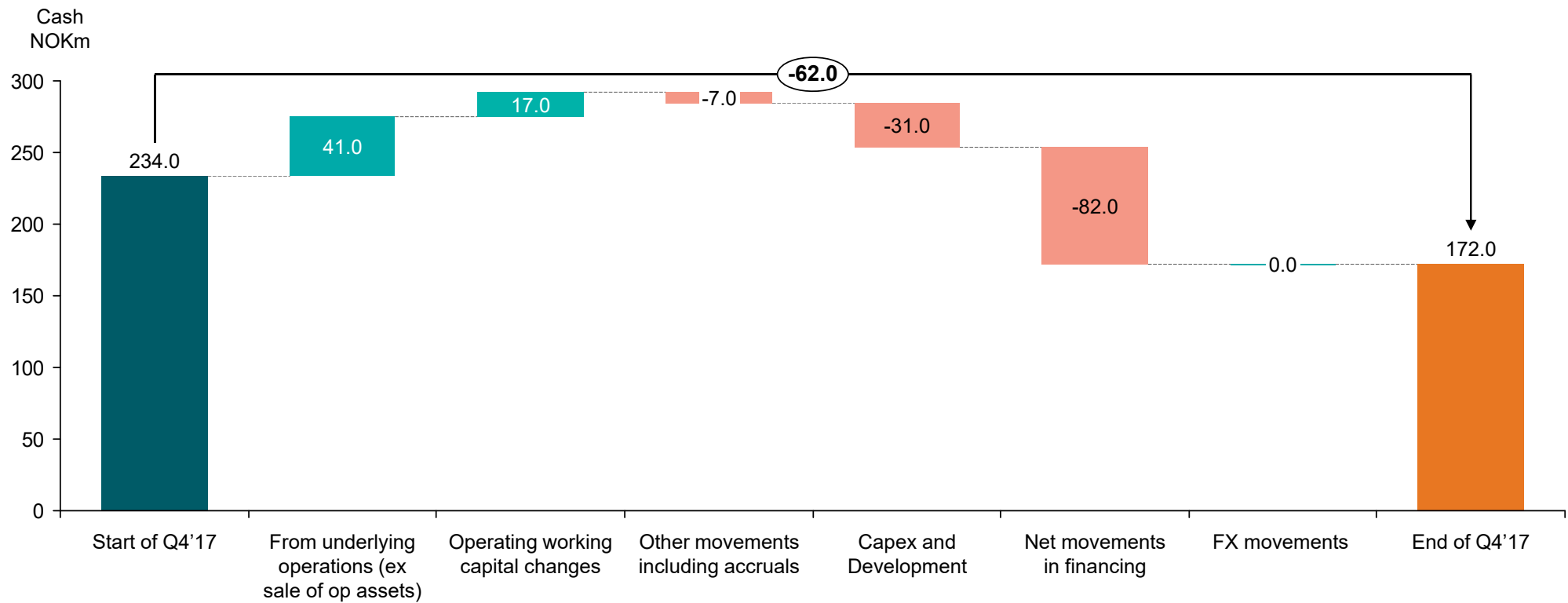
# Balance sheet | Q4'17 vs Q3'17

## NOK 215m Net Interest Bearing Debt & 59% Equity Ratio



No significant movements other than a pay-down of debt in the quarter

# Group cash movements Q4'17



**Strong contribution from underlying operations allowed for Debt pay-down**



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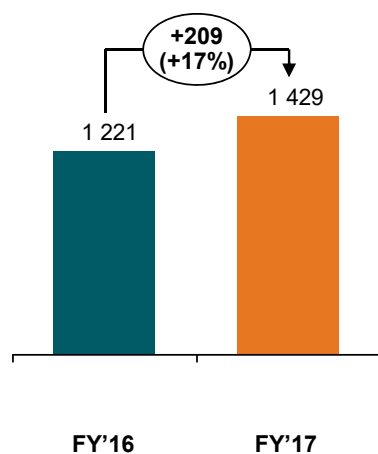
# Preliminary & unaudited

## Full Year 2017

# Full-year 2017<sup>1</sup> vs. 2016

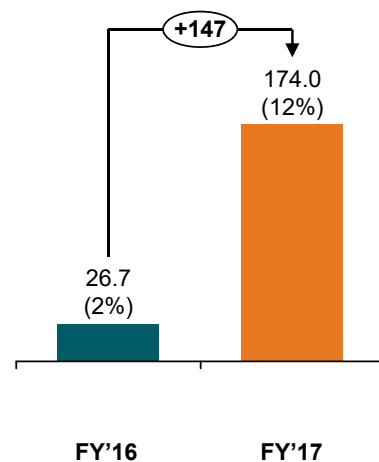
## Revenues<sup>1</sup>

NOKm



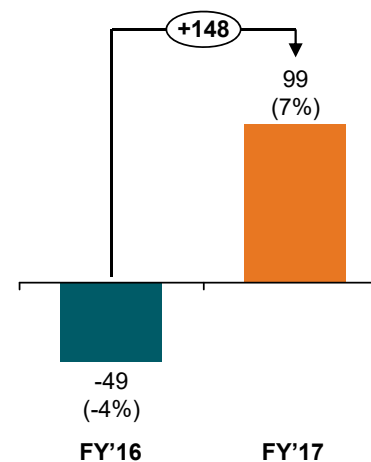
## EBITDA<sup>1,2</sup>

NOKm, ex Q4'16 exceptional gain of NOK 348m



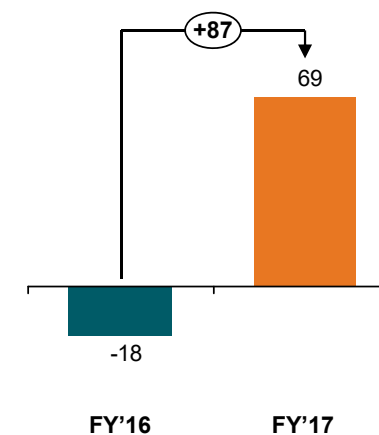
## EBIT<sup>1,2</sup>

NOKm, ex Q4'16 exceptional gain of NOK 348m



## Net profit<sup>1,2</sup>

NOKm, ex Q4'16 exceptional gain net of tax provision of NOK 226m



- Low-Pressure (LPG) & Mobile Pipelines drive organic growth
- xperion contribution offsets Agility carve-out with strong growth in H2

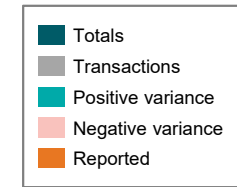
- LPG margin of 22%; record EBITDA of NOK 144 m
- High-Pressure margin of 6%; EBITDA of NOK 47 m

- Lower ordinary depreciation year over year (Y-o-Y)
- Offset by full year effect of xperion intangible amortisation

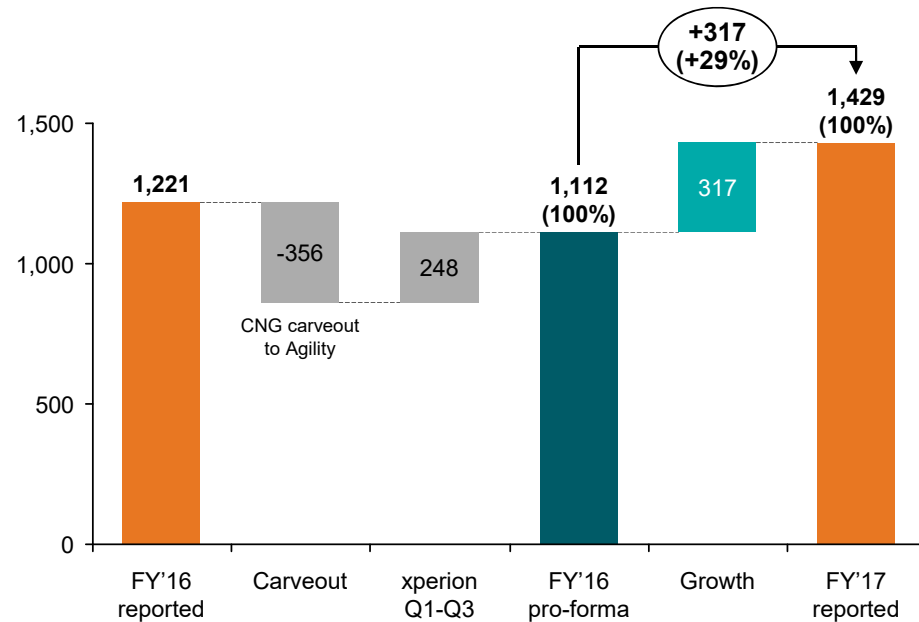
- Y-o-Y negative currency effect of NOK -56 m; other finance +8m
- Amortisation of Agility intangibles and lower returns NOK -16 m
- Y-o-Y tax neutral

<sup>1</sup>2017 = Preliminary and unaudited <sup>2</sup>Excluding reported extraordinary gain on Agility transaction

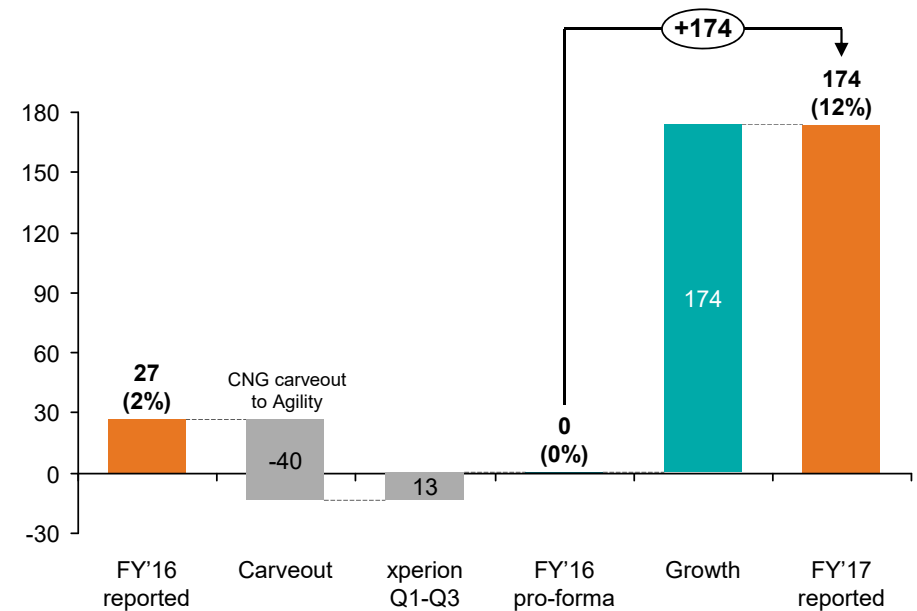
# Full Year Preliminary Unaudited 2017 vs pro-forma 2016



Pro-forma revenues | NOKm



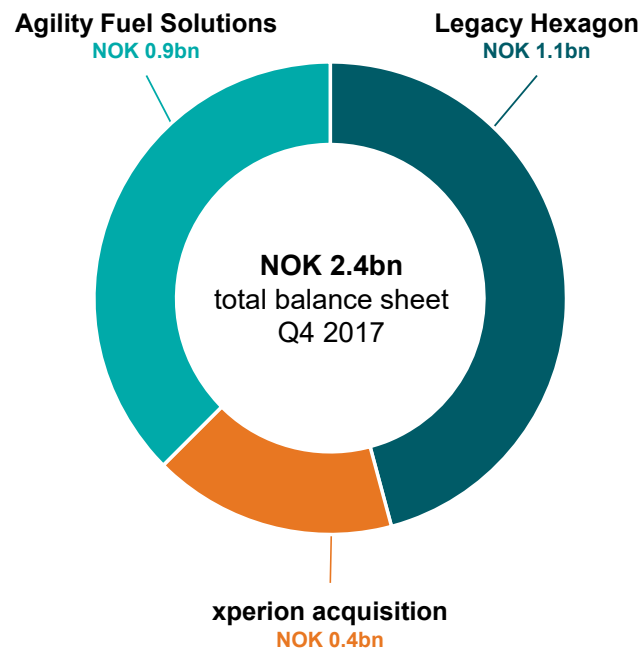
Pro-forma EBITDA | NOKm



**+29% headline revenue growth on pro-forma basis (vs. 17% headline growth on reported numbers)**  
**+174m EBITDA increase on pro-forma basis (vs. +147m on reported numbers ex Agility gain)**

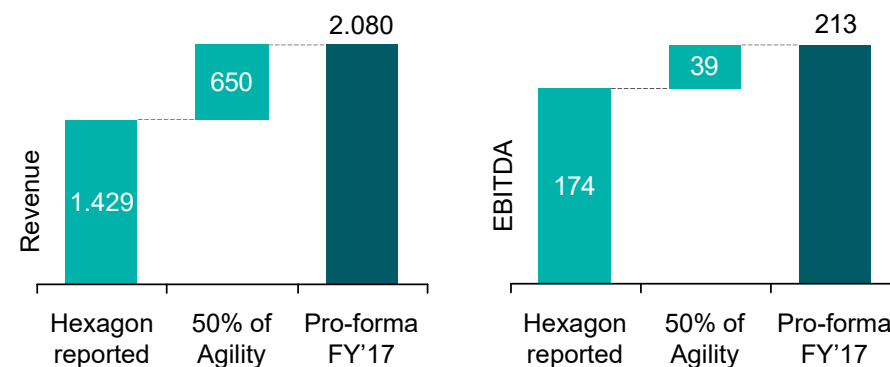
# Agility investment

Agility represents ca. 40% of total balance sheet...



...but is not reported in Hexagon's EBITDA

*NOKm, based on average 2017 USD:NOK of 8.27*



The above pro-forma 2017 Group EBITDA includes 50% of Agility's Reported EBITDA under US GAAP

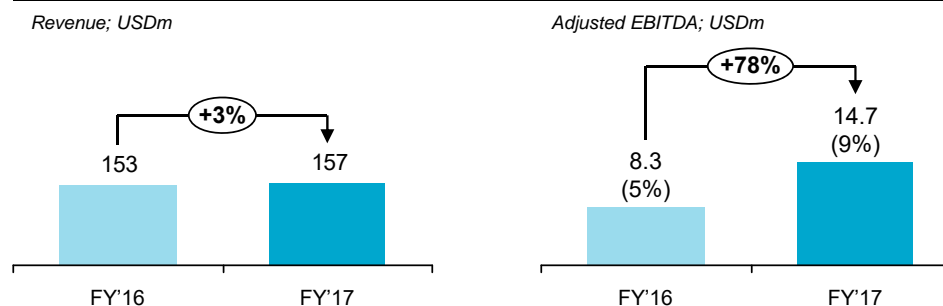
Using the Adjusted EBITDA number would add another ~ NOK 22 million

*Legacy Hexagon: Pre xperion acquisition Mobile Pipelines, Light-Duty, Hydrogen and LPG*  
*xperion acquisition: Closed in Q4 2016 for purchase consideration of NOK 293m in cash and contingent earn-out of up to NOK 103m*  
*Agility Fuel Solutions: Closed in Q4 2016 at value of NOK 971m*

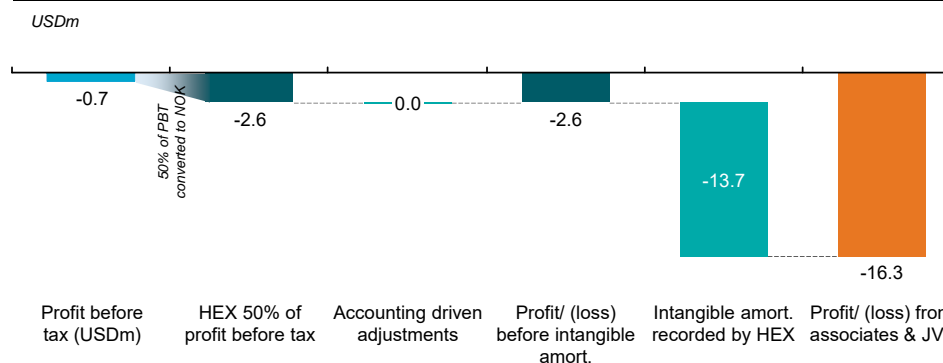
# Agility Fuel Solutions Full Year 2017

- Satisfactory margin growth despite modest revenue growth
  - 52% Year-over-year growth vs. weak 2016
- Solid Heavy-duty truck deliveries
  - However 18% lower than very strong 2016
- Weak Refuse truck sales
  - 20% Year-over-year decline however picked up momentum in second half of 2017
- Significant non-cash items turn an underlying positive into a negative contribution to Hexagon Group profit

## Revenues and adjusted EBITDA\*



## Agility impact to Group P&L



\* Proforma figures used for 2016

## 2017\* Financial Scorecard

- **Record LPG performance**
  - 30% Revenue and 46% EBITDA growth
- **Positive EBITDA in High-Pressure**
  - Improvement of NOK 93 million ex Agility gain of NOK 348 million
- **Mobile Pipelines recovery** in volumes
- **Exceptional Hydrogen growth**
  - From 3% to 10% of Group revenue
- **Positive momentum for LDV** with increased focus on biogas
- **xperion acquisition fully integrated** into business units
- **Agility 78% Adjusted EBITDA growth**
- **Strong Balance Sheet**



In 2017 we prioritised integrating the new business combination as a result of strategic plays in 2016; Now we will focus on the significant long-term opportunities within hydrogen and biogas in 2018



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# Sharpening our focus on cleaner energy opportunities

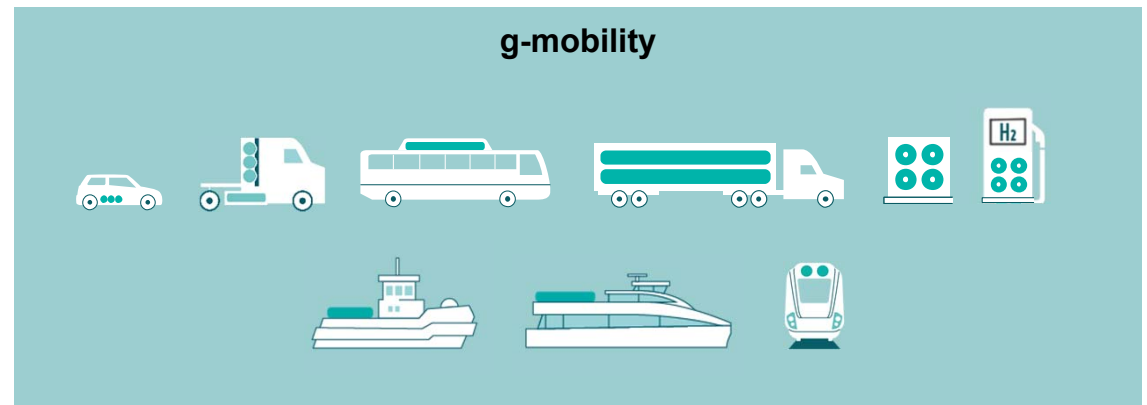
# The energy transition is opening up growth opportunities

## GLOBAL ENERGY MIX



## LOW-CARBON FUELS

Hydrogen, biogas, e-gas



We are adapting our leading composite pressure vessel technology for a wide range of mobility and storage applications

## Our position on the Hydrogen and Biogas opportunities

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

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

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- 3** ...and we are making significant investments in 2018-2020 for attractive returns from 2022 and beyond

# Market Drivers

## Hydrogen Council pronouncements



### Key conclusions

- **Significant cost/kW reduction** over a 10 year period
- Commercial products are now being marketed across sectors and along the **full hydrogen value chain**
- Exponential growth is underway in all addressed markets, **supported by clear political backing**
- **Investments** will multiply by 10 over the period and are required along full value chain
- **Investors are encouraged to get in early**

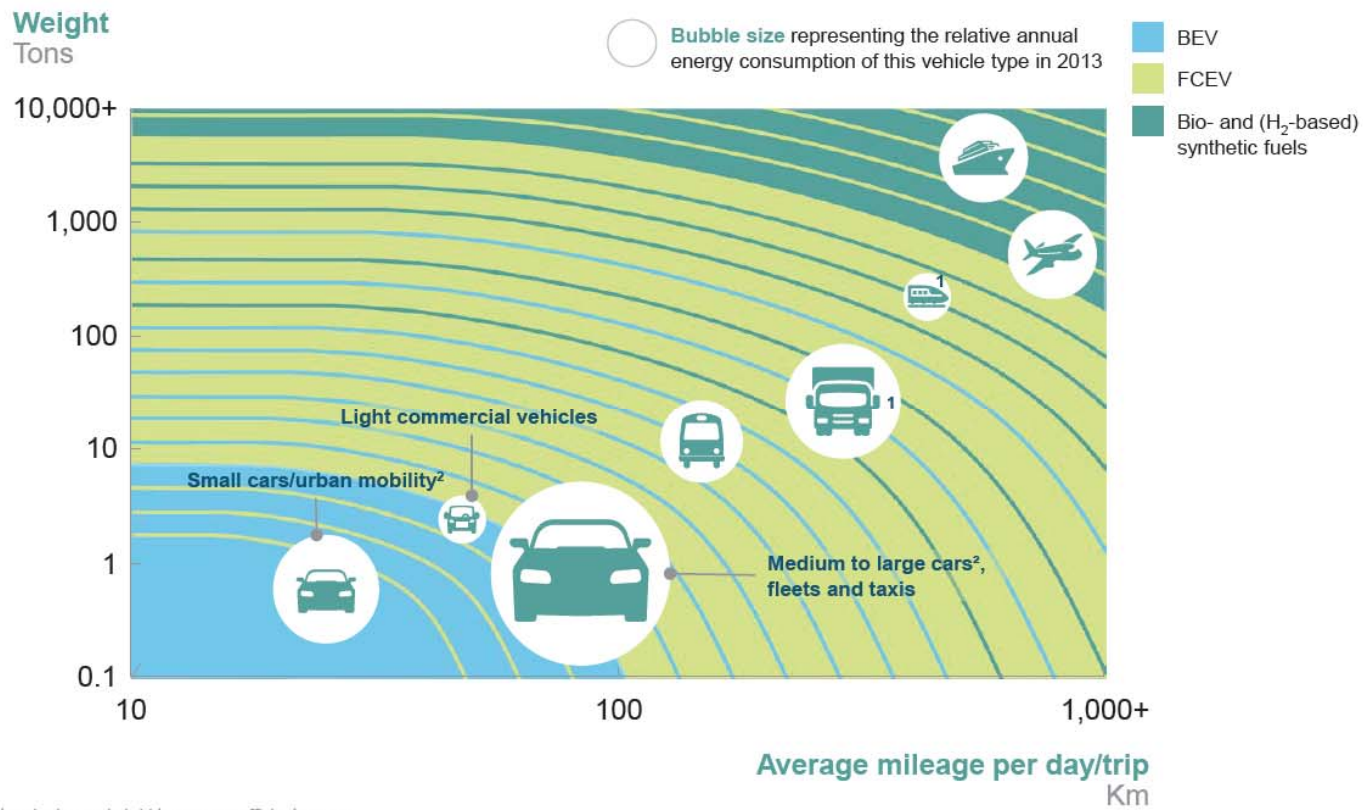
### Steering members



*The Council Launched at the World Economic Forum 2017, in Davos*

# FCEVs will play an essential role in decarbonizing transportation

## Projected economic attractiveness



Source: Hydrogen Council, Toyota, Hyundai, Daimler

# Numerous Hydrogen related plays...

## United Kingdom will reduce CO2 with hydrogen grid blend



The Telegraph  
Business  
Energy networks prepare to blend hydrogen into the gas grid for the first time

Energy networks are preparing to dilute Britain's natural gas grid with low-carbon hydrogen for the first time

## Japanese majors speeding up the Hydrogen Society



TOYOTA Global Newsroom  
Dec. 12, 2017  
New Company to be Established in Spring 2018 with Focus on Full-fledged Development of Hydrogen Recharging Station Network in Japan  
Agreement signed by 11 companies  
News Release, Environment, Management

Toyota Motor Corporation  
Nissan Motor Co., Ltd.  
Honda Motor Co., Ltd.  
JXTG Nippon Oil & Energy Corporation  
Idemitsu Kosan Co., Ltd.  
Iwatani Corporation

## China aims to build a "hydrogen city"



gasworld  
ASCO  
Central China to gain hydrogen city  
By Jemima Owen-Jones | 22 January 2018

According to widespread reports, Wuhan, the capital city of central China's Hubei Province, will gain a hydrogen (H<sub>2</sub>) energy industry which the city development plan termed a 'hydrogen city'.

The reports state that the city is to advance research and development (R&D) of core technology of H<sub>2</sub> production, storage and transport, and improve H<sub>2</sub> infrastructure in ..

## US based Nikola plans \$1bn fuel cell truck factory



TRUCKS.COM  
FUELING YOUR MIND FOR THE ROAD AHEAD  
Mercedes Marketing Boss Details Strateg...  
Nikola Plans \$1 Billion Arizona Fuel Cell Truck Factory  
JERRY HIRSCH | JANUARY 30, 2018  
ELECTRIC VEHICLES, TRUCKING TECHNOLOGY

The redesigned Nikola Two electric truck. (Photo: Nikola)

Hydrogen-electric semi-truck startup Nikola Motor Co. plans to build a \$1 billion factory in a Phoenix suburb.

## California hit 3,000 Toyota Mirai




TOYOTA - USA NEWSROOM  
Hydrogen is Going the Distance: Toyota Surpasses 3,000 Mirai Hydrogen Fuel Cell Vehicle Sales in California

January 23, 2018  
PLANO, Texas, January 23, 2018 – Move over polluters, the Toyota Mirai, one of the world's first mass-produced hydrogen fuel cell electric vehicles, has surpassed 3,000 sales in the Golden State. Having reached this new milestone, Mirai make up more than 80% of all hydrogen fuel cell vehicles in the United States.

"Toyota remains at the forefront of developing and deploying hydrogen fuel cell technology, and we believe strongly in its potential to help realize ..

# Segment analysis | Light-duty vehicles example

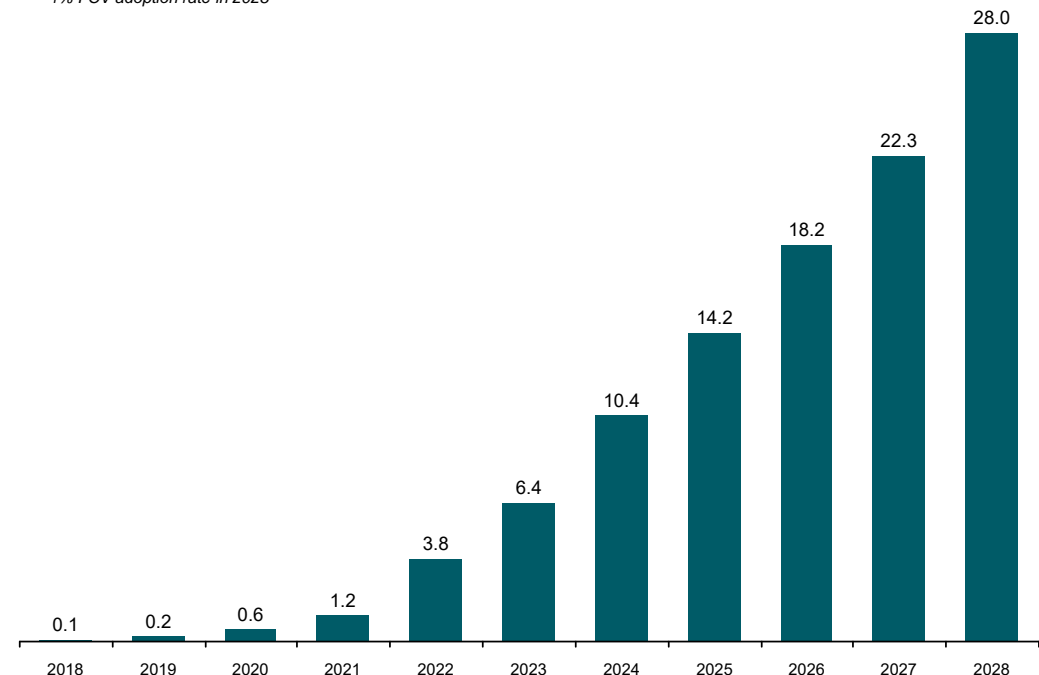


#Vehicles	2020	2024	2028
Est. vehicles sold (million)	86	93	100
H2 adoption rate	0.03%	0.40%	1.00%
H2 vehicles sold (thousand)	21.5	371	1,000

- Hexagon has development/trial production contracts with several OEMs
- New contract for 2 new FCEV models ongoing through 2019
- Supplied several other OEMs with test tanks
- Building on leading position within production of CNG composite cylinders
- Unique production technology for mass production of composite cylinders
- Potential for scope beyond cylinder manufacturing (systems)

## Market potential | Hexagon estimate (NOKbn)

- USD:NOK @ 8.00
- ~1.9% CAGR for #LDV vehicles sold p.a.
- 1% FCV adoption rate in 2028

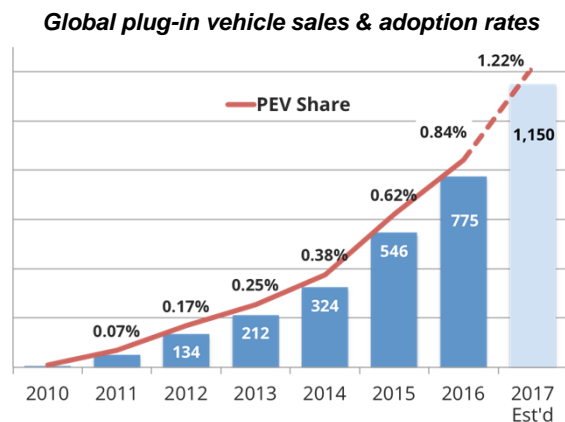


# Fuel Cell Electric Vehicle market penetration rate expected to follow adoption rates for BEVs



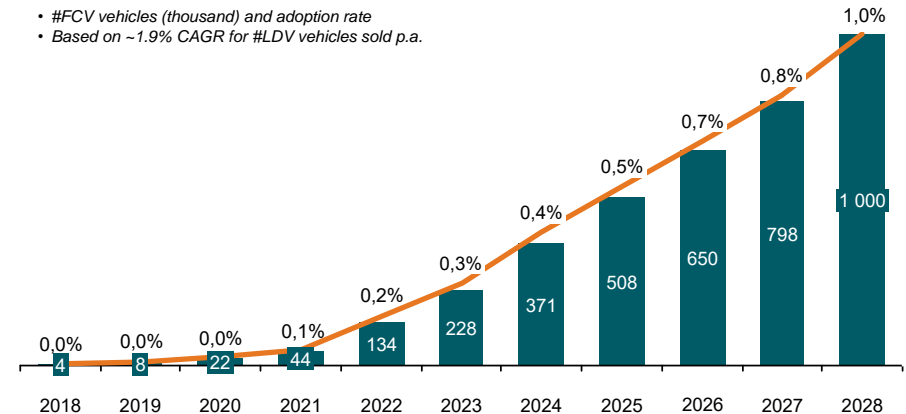
- Predicted growth validated by past performance (trailing 7 years) of BEV accomplishments
- BEV's currently have > than 1% market share in China, France, Netherlands, Norway, Sweden and UK
- Embedded OEM also predicting greater than 1% penetration rates for Light-Duty FCEVs

## Demonstrated market adoption



Source: evvolumes.com

## Potential FCEV adoption



# Key to unlocking the market potential

## The Drivers

Drive for zero emissions

Fast-fill & Range requirements

Cost competitive Fuel-cell technology

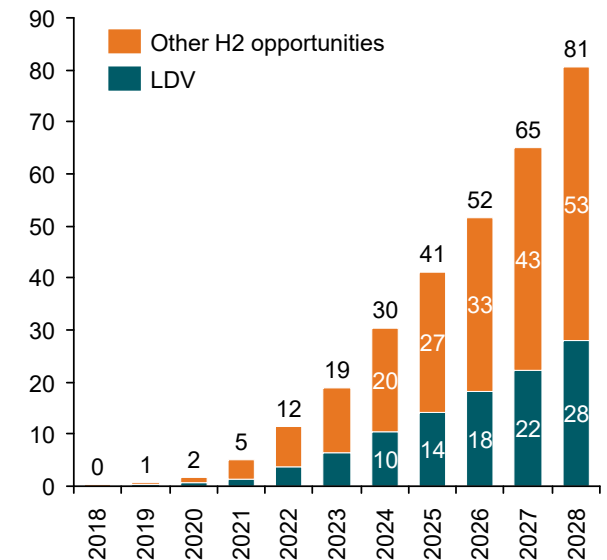
An unlimited energy carrier

## Overcoming the Barriers

- Building-up Hydrogen infrastructure
- Scaling hydrogen production to be economic
- Forming regulatory frameworks that fairly support sustainability
- Familiarity

## Total market potential

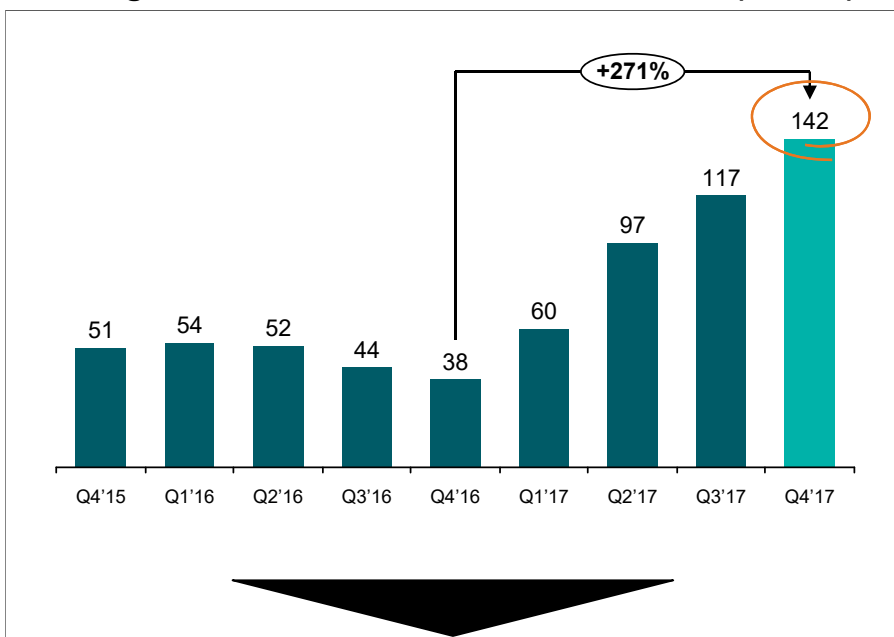
NOK billion. USD:NOK @8.00, Hexagon internal estimate



The multiple opportunities in Hydrogen can be a game changer for Hexagon Composites

# Hydrogen opportunities now materializing in revenue

Trailing last twelve months HEX H2 revenues (NOKm) <sup>1</sup>



Significant step-up in Hydrogen revenues

Selected HEX Hydrogen customers



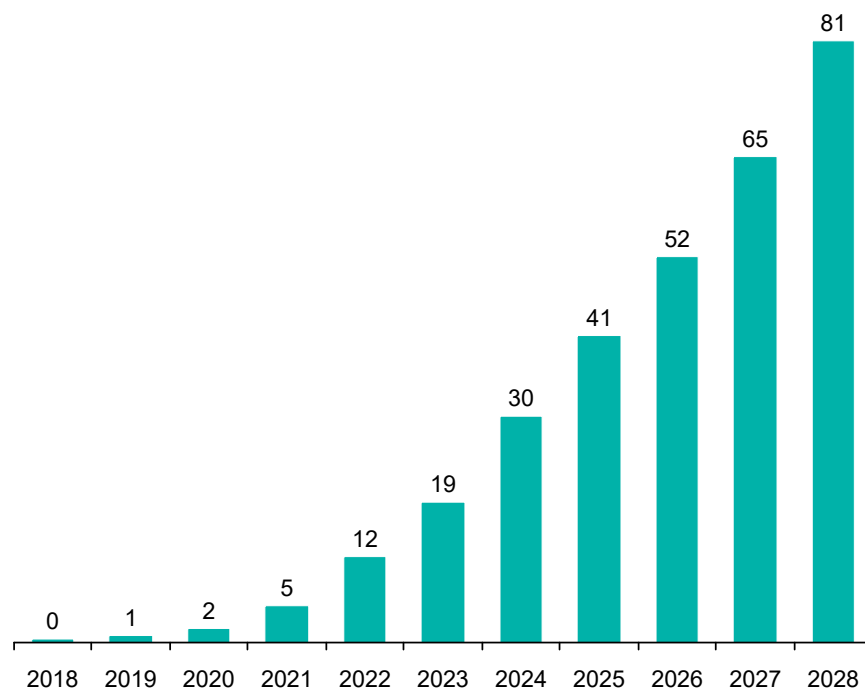
Customer base comprising several key OEMs  
*[2 other prominent OEMs are confidential and not disclosed above]*

<sup>1</sup> Revenues before eliminations

# Large Hydrogen market potential requires investments

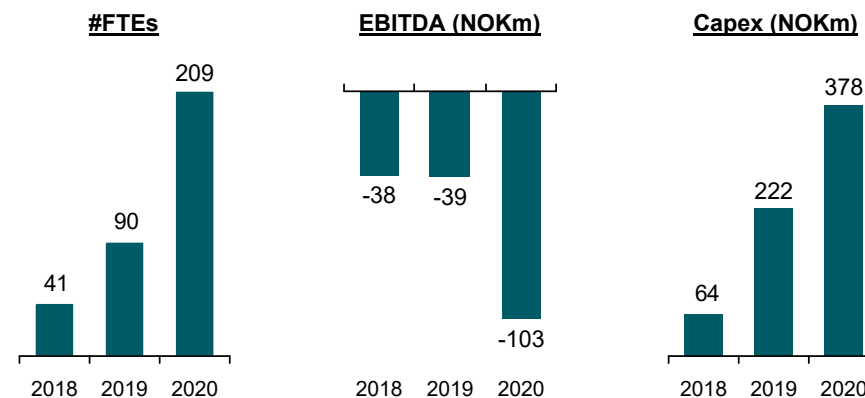
## Total market potential (NOKbn)

• 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**

# Public and private support of Biogas growing...

## Lower carbon footprint and reduced greenhouse gas (GHG) emissions



ENOVA | PRESSEROM

### Over 150 millioner til biogass

Nyheter • Jan 30, 2018 14:09 CET



Daglig leder Andreas Gjøllund i Greve Biogass og administrerende direktør Ragnhild Borchgrevink i VEAS på Enovakonferansen i Trondheim.

Greve Biogass og VEAS får begge støtte av Enova for å bygge anlegg for biogassproduksjon. Det ble offentliggjort under Enovakonferansen i Trondheim i dag.

– Biogass er sirkulærøkonomi i praksis og kan kutte klimagassutslipp i både transportsektoren og prosessindustrien. Skal Norge på sikt få et levedyktig marked

### Waitrose lorries fuelled by rotting food emit 70 per cent less CO2 than diesel vehicles

A FLEET of Waitrose lorries run entirely on biomethane, which is a bi-product of rotting food in landfills.

By LUKE JOHN SMITH  
16.05, Thu, Feb 9, 2017 | UPDATED: 17.22, Thu, Feb 9, 2017



A fleet of Waitrose lorries will be powered by Biomethane a bi-product of rotting food

NGTNews Next-Gen Transportation

ROUSH CLEANTECH Reduce NOx emissions Increase fuel savings Reduce your operating costs LOW NOx

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Articles Funding & Incentives Legislation

### Alt-Fuel Tax Credits Extended in Newly Signed Bipartisan Budget Bill

Posted by Betsy Lillian - February 12, 2018

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EPA United States Environmental Protection Agency

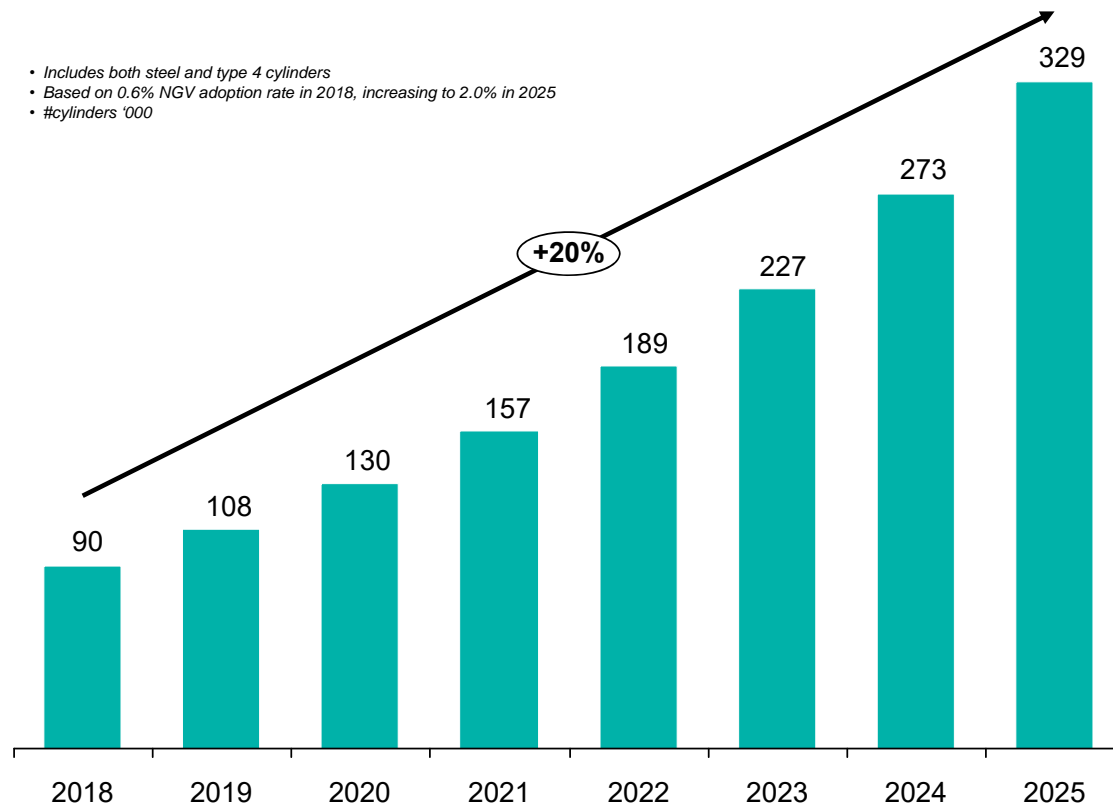
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### Renewable Fuel Standard Program

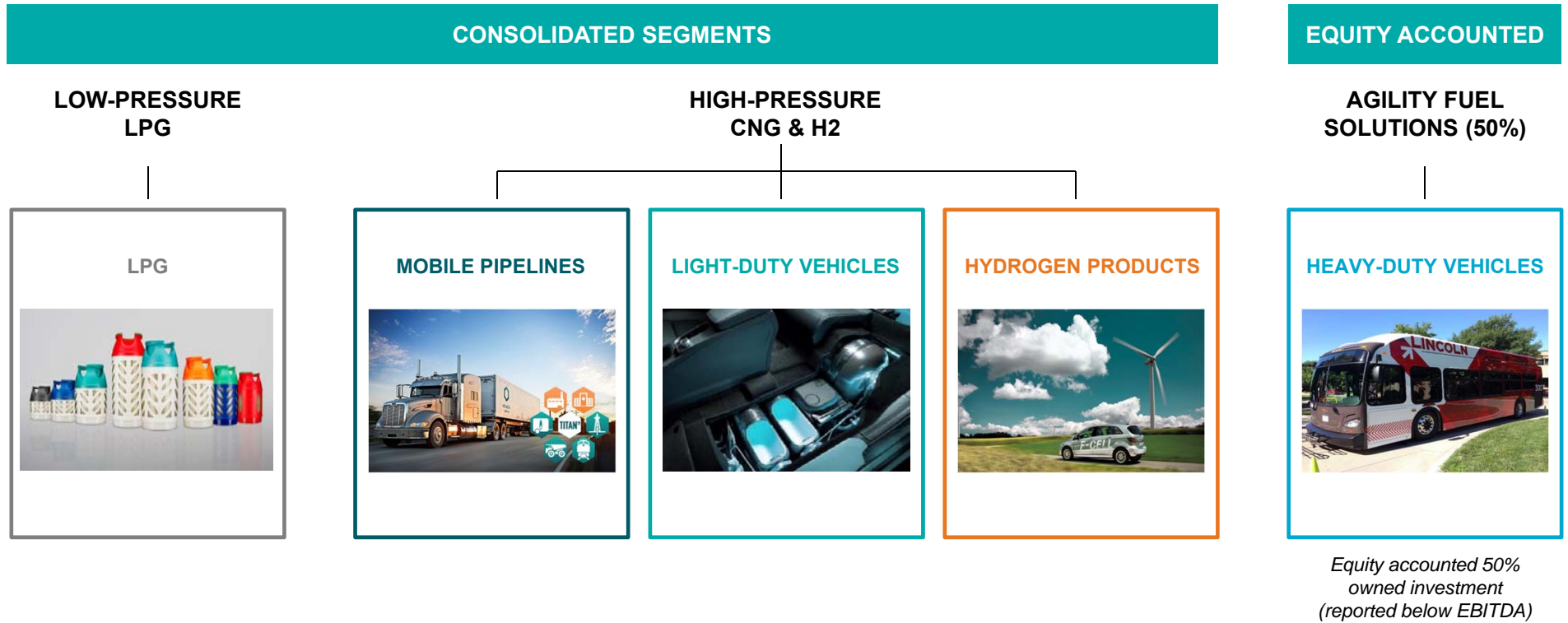
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### Renewable Identification Numbers (RINs) under the Renewable Fuel Standard Program

# LDV CNG/Biogas market potential



# 2017 reporting segments in Hexagon Group



# 2018 segment reporting in Hexagon Group

## CONSOLIDATED SEGMENTS

## EQUITY ACCOUNTED

### HYDROGEN & LIGHT-DUTY VEHICLES



### MOBILE PIPELINES



### LPG



### OTHER



Hexagon MasterWorks

### MEDIUM AND HEAVY-DUTY VEHICLES



Agility Fuel Solutions  
(50%)



HEXAGON

# OUTLOOK



HEXAGON

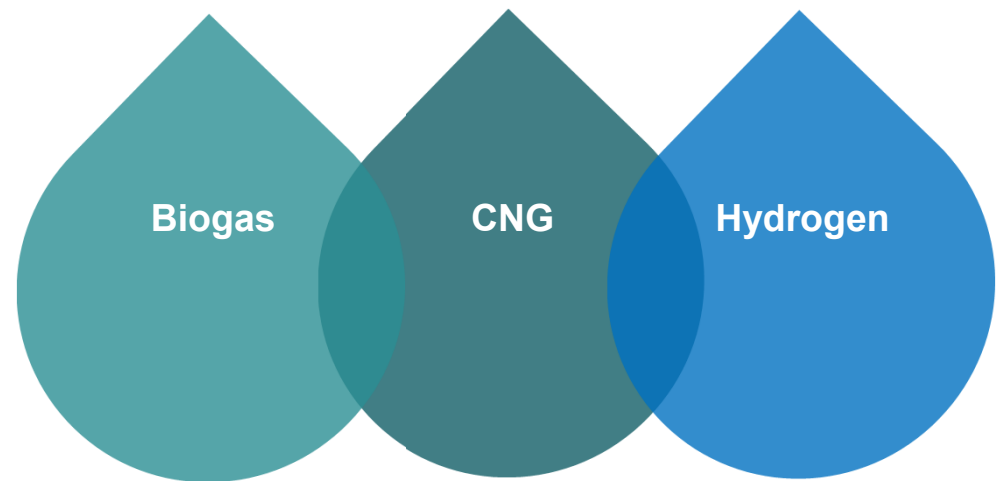
# OUTLOOK



# Hydrogen & Light-Duty Vehicles

## Strong g-mobility drive in Germany

- Climate targets cannot be reached without CNG with biogas
- Tax relief extension for natural gas until 2026 guarantees CNG LDV owners a cost-effective fuel
- Targeting increase of CNG vehicle fleet in Germany tenfold to 1 million by 2025
- Expanding filling infrastructure from 900 to 2,000 stations



**“If we get it right, an 80 percent cut in CO2 emissions can be achieved by using automobiles powered by natural gas.”**

- Angela Merkel, Chancellor of Germany

- Volkswagen reconfirms its CNG strategy
  - Grants to customers for switching to CNG vehicles introduced in 2017 has been extended until end March 2018
  - Increasing its CNG LDV range to 16 models
  - Introduction of four mono-fuel CNG models end of 2018
- Double digit growth expected short and medium term

**Volkswagen new CNG LDV models:  
CO2 emissions g/km well below EU 2021 target**



Photo: Volkswagen Group

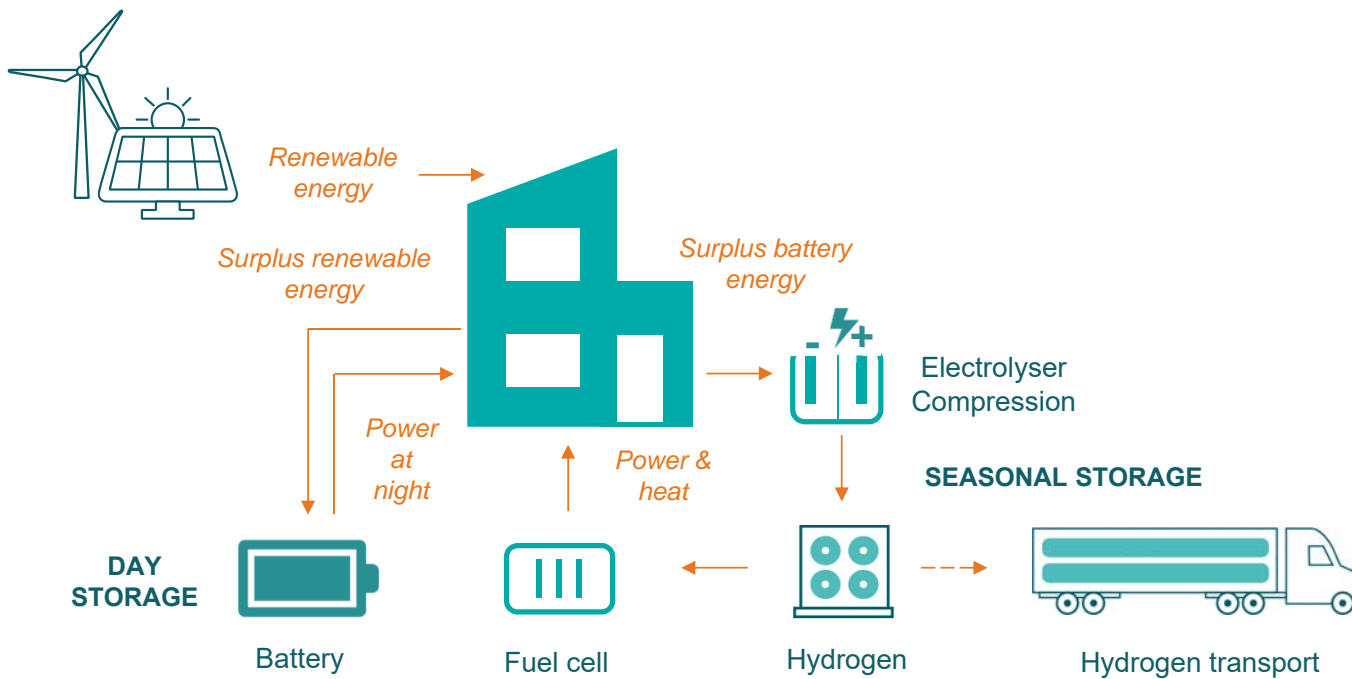
**“As far as a natural gas vehicle powered by CNG is concerned, it is irrelevant whether it runs on pure fossil fuel or methane that has been 100 percent regenerated. This characteristic makes the natural gas vehicle extremely important for the current energy transition.”**

- Jens Andersen, Group CEO for Natural Gas Mobility at Volkswagen AG

# Power-to-gas

## Hydrogen as a battery

Hydrogen key to unlocking the full offshore wind potential of the North Sea



WORLD ENERGY COUNCIL | THE NETHERLANDS

BRINGING NORTH SEA ENERGY  
ASHORE EFFICIENTLY



'Bringing North Sea Energy Ashore Efficiently',  
by Netherlands member committee of the World  
Energy Council.  
Posted 19 January 2018

# Hydrogen for zero emissions fast ferries

- Fast ferries in Norway annually consume 86,000 tons of diesel<sup>1)</sup>
  - CO<sub>2</sub>: 233,000 tons
  - Nox: 2,570 tons
  - Sulphur: 77 tons
- Fuel cell solutions outperform batteries on key parameters
  - Weight: Hydrogen system considerably lighter than battery system
    - 1/5 in representative configuration
  - Short refueling time
  - Long range
- Sør-Trøndelag County launching development project <sup>2)</sup>



Teknisk Ukeblad, 8 January 2018

1) NOx-fondet

2) "Hydrogen til hurtigbåter i Trøndelag," by SINTEF and Greenstat, December 2017. For Sør-Trøndelag Fylkeskommune (Sør-Trøndelag County Authority)

# Mobile Pipelines



# Mobile Pipelines

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- Vibrant shale oil & gas sector driving demand in North America
- Healthy project flow from other industries
- Several new applications
  - Enhanced oil recovery
  - “Pipeline integrity”
    - ensuring CNG during pipeline down-time (e.g. service)
    - Mobile fleet refueling
- Markets outside North America remain lumpy
- Modal Acoustic Emission (MAE) requalification testing successfully launched in the US
  - Large number of modules up for regulatory requalification in the US in 2018
  - Seeking regulatory approvals in other geographical markets



Hexagon Modal Acoustic Emission (MAE) testing site

## Mobile Pipeline® for LNG boil-off gas recovery

- Maritime transport emits around 1 billion mt of CO<sub>2</sub> annually
  - About 2.5% of global greenhouse gas emissions
- Boil-off from LNG vessels a significant source
- Boil-off gas recovery systems with TITAN® storage systems can capture and store the gas

### 150+ shipping industry leaders to drive the decarbonization agenda



### Shipping Leaders Join Forces to Drive Decarbonization Agenda



World Maritime News, November 16, 2017

LPG



# LPG



- Strong order backlog for 1<sup>st</sup> half of 2018
  - Full order book for Q1
  - Strong order base from European customers
  - Deliveries to Iraq to be completed in Q1
- Increased focus on user-friendliness and safety drives demand in new regions
  - E.g. Middle East
- MNOK 75 expansion program on track
  - Investing in product differentiation, faster cycle-times and capacity improvements
- Differentiation strategy will be continued and further sophisticated
  - Smart cylinders on the agenda

Woqod marketing campaign January 2018

Agility



## Agility Fuel Solutions

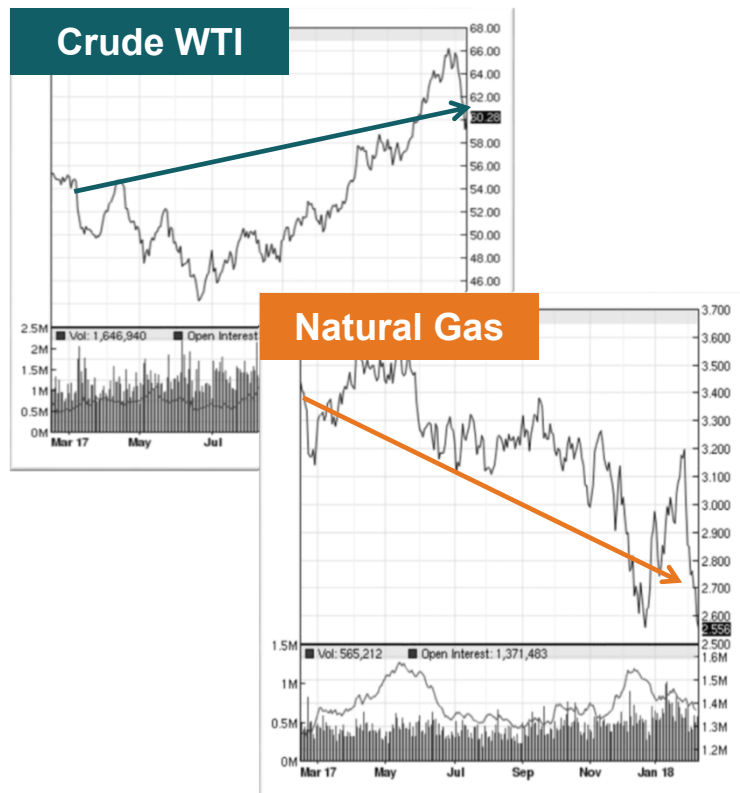
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- US Heavy-Duty Vehicle market relatively flat
  - Weak truck market offset by improved refuse and transit bus sales
- Strategic development of new geographical markets
- Cummins Westport introduction of “near zero” emissions 12L natural gas engine expected to be a positive development for CNG
  - Order patterns affecting sales in first half of 2018
- Price delta between diesel and natural gas expected to widen when spring sets in

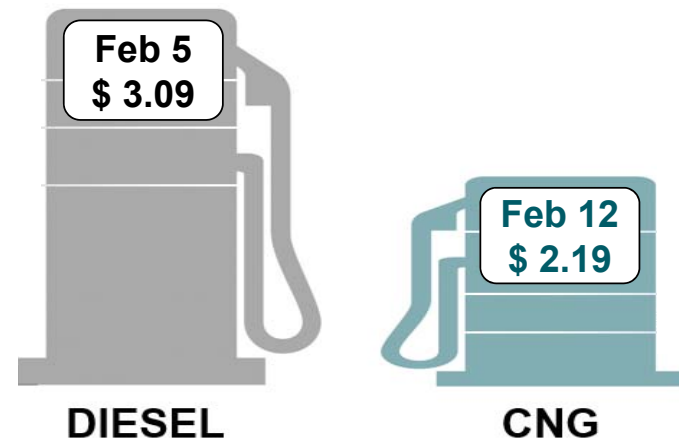


# Fuel price spread has become significantly more favorable

## Price development last 12 months



## Pump prices



Sources: EIA, NYMEX, cngprices.com, Hexagon Composites

## Outlook – Summary

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- LPG
  - Full capacity utilization 1<sup>st</sup> half
- Mobile Pipelines
  - Continued strong momentum into 2018
- Hydrogen and Light Duty Vehicles (LDV)
  - Good outlook for LDV
    - Double digit topline growth expected
  - Broad range of Hydrogen opportunities
    - Diluting EBITDA short term
- Agility Fuel Solutions
  - Healthy medium duty truck, refuse truck and transit bus markets
  - Soft heavy-duty long haul truck market in first half of 2018, but recovery thereafter
    - Oil price > USD 60 and launch of near zero emission 12L Cummins Westport Natural Gas engine expected to stimulate demand

**Traditional business units performing very well  
Significant dilutive EBITDA effect from Hydrogen**



HEXAGON

## Questions Please

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Jon Erik Engeset, CEO

David Bandele, CFO