



# HALF YEAR INTERIM REPORT 2011

Erik Espeset, Group President

Tor Olsen Husø, CFO

*Oslo, 30 August 2011*



# AGENDA HALF YEAR INTERIM REPORT 2011

---

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



# THIS IS HEXAGON COMPOSITES



HEXAGON COMPOSITES ASA

**COMPOSITE CONTAINERS**  
FOR PROPANE, NATURAL GAS AND BIOGAS



**HIGH-PRESSURE CONTAINERS**  
NATURAL GAS, BIOGAS AND HYDROGEN

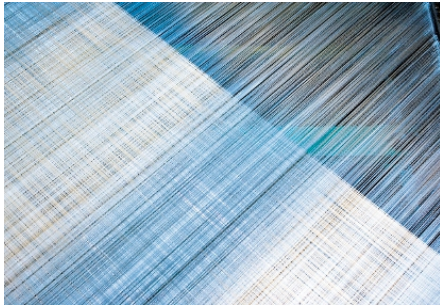


**COMPOSITE REINFORCEMENTS**  
FOR LIGHTWEIGHT CONSTRUCTIONS



UAB AMT BALTĪJA

PPG-DEVOLD LLC  
(50/50)

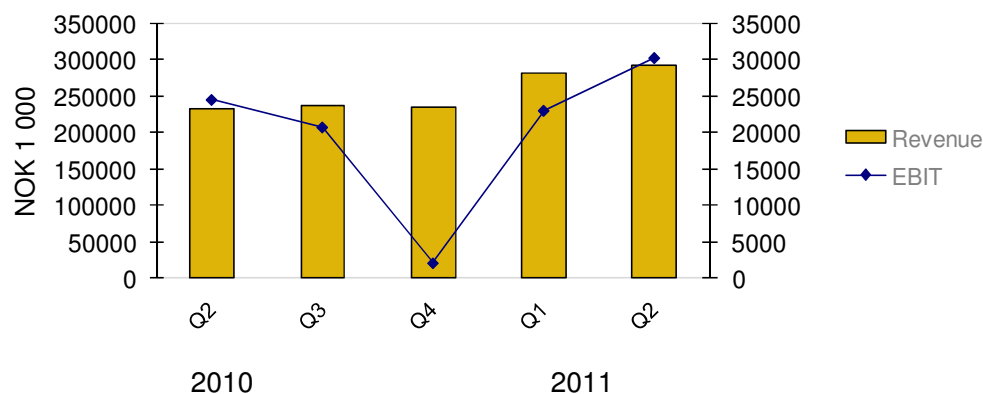


# GROUP KEY FIGURES

	Q2 2010	Q1 2011	Q2 2011
Total Sales	231.912	280.520	293.183
EBITDA	43.539	42.858	48.283
EBIT	24.488	23.005	30.239
EBIT %	10,56 %	8,20 %	10,31 %

	1st half interim 2010	1st half interim 2011
Total Sales	373.255	573.703
EBITDA	45.295	91.142
EBIT	13.421	53.244
EBIT %	3,60 %	9,28 %

Total Sales and EBIT last quarters



## Half year interim operating results

- Record sales in the High-pressure area
- Ragasco achieved turnover at 2010 level
- Cost reduction measures implemented at Ragasco
- Continued improved turnover and reduced loss at Devold AMT
- Satisfactory Group liquidity





**HEXAGON**  
COMPOSITES

# **HALF YEAR INTERIM REPORT 2011**

## **BUSINESS UNITS**



# COMPOSITE CONTAINERS



- ▶ Turnover at 2010 level
- ▶ Organisational measures implemented to reduce costs
- ▶ Continued strong focus on sales activities



# COMPOSITE CONTAINERS

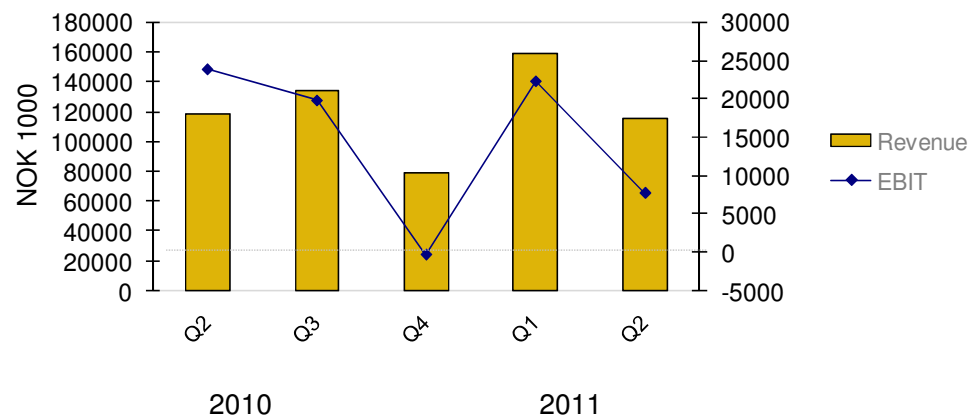


	Q2 2010	Q1 2011	Q2 2011
Total Sales	118.827	159.438	114.871
EBITDA	37.060	36.431	19.887
EBIT	23.821	22.273	7.736
EBIT %	20,05 %	13,97 %	6,73 %

## Q2 operating results

- Turnover at 2010 level
- Reduced EBIT margin due to unfavourable product mix, small orders and frequent production switch-overs
- Organisational measures implemented to reduce costs
- Turnover for 2<sup>nd</sup> half of 2011 is expected to be lower than 1<sup>st</sup> half of 2011

Total Sales and EBIT last quarters



# HIGH PRESSURE CONTAINERS

- ▶ Record sales in Q2
- ▶ Contracts secured with EGP in Peru and two Vietnamese companies for the delivery of TITAN™ modules
- ▶ Strengthening the sales and market organisation
- ▶ Strong growth in the North American CNG vehicle market



# HIGH PRESSURE CONTAINERS

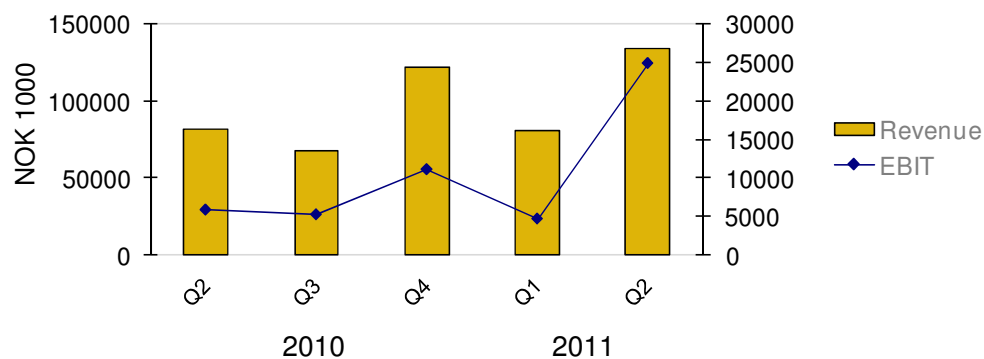


	Q2 2010	Q1 2011	Q2 2011
Total Sales	82.002	80.824	133.911
EBITDA	9.565	8.338	28.468
EBIT	5.845	4.681	24.858
EBIT %	7,13 %	5,79 %	18,56 %

## Q2 operating results

- Improved TITAN™ sales in Q2 due to market upturn
- Positive CNG sales development:
  - Light & heavy-duty vehicles in USA
  - European bus market
- Increasing operating margin
- The order book for second half of 2011 is satisfactory

Total Sales and EBIT last quarters



# COMPOSITE REINFORCEMENTS



- ▶ Continued improved turnover in Q2
- ▶ Implemented restructuring measures yield lower costs and increasing margins
- ▶ Development project with significant potential close to commercialisation



# COMPOSITE REINFORCEMENTS

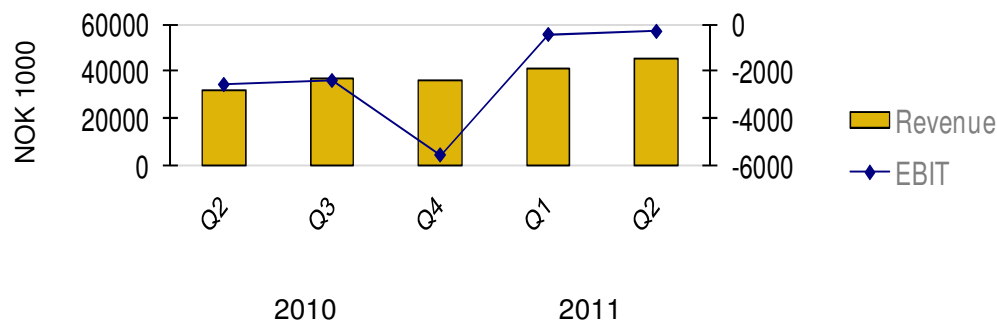


	Q2 2010	Q1 2011	Q2 2011
Total Sales	31.797	40.994	45.087
EBITDA	-484	1.474	1.847
EBIT	-2.575	-439	-311
EBIT %	-8,10 %	-1,07 %	-0,69 %

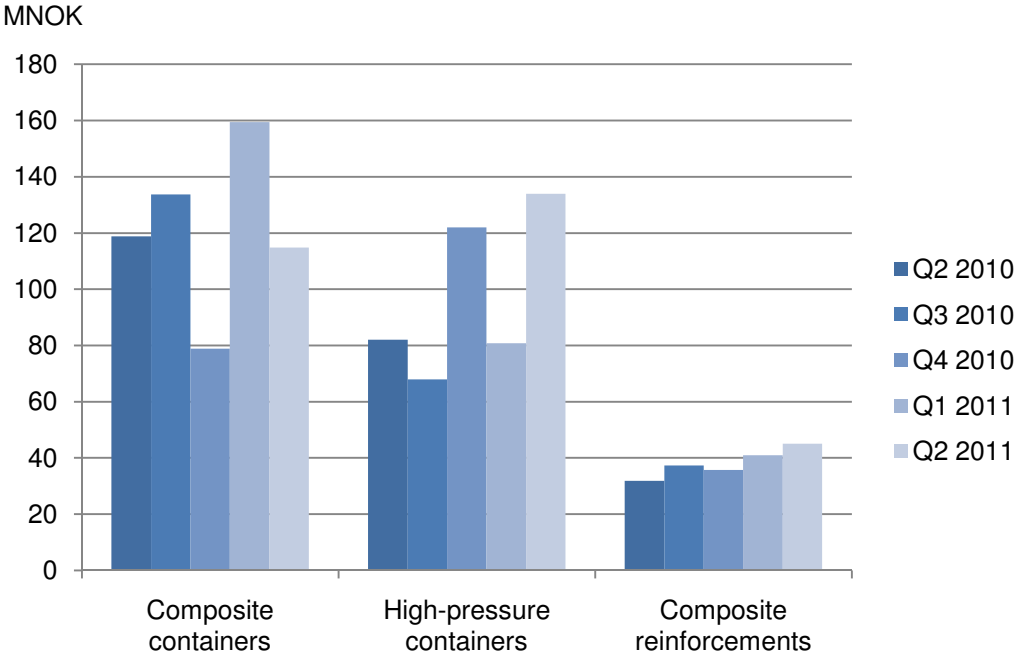
## Q2 operating results

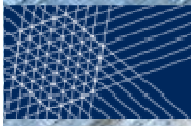
- Continued improved turnover and reduced loss
- Restructuring measures yield lower costs and increasing margins
- Turnover for second half of 2011 is expected to be on the same level as first half

Total Sales and EBIT last quarters



# TURNOVER PER BUSINESS UNIT





**HEXAGON**  
COMPOSITES

# **HALF YEAR INTERIM REPORT 2011**

## **GROUP FINANCIALS**

# PROFIT AND LOSS ACCOUNT HALF YEAR INTERIM REPORT 2011

---

Key figures (NOK 1 000)	1st half 2011	1st half 2010	Change
Sales Revenue	573.703	373.255	54%
EBITDA	91.142	45.295	101%
EBIT	53.244	13.421	297%
EBIT %	9,3 %	3,6 %	
Profit before tax	43.159	17.308	149%

## Q2 operating results

- Positive development of turnover due to good sales in the High-pressure area
- Improving operating margins



# BALANCE SHEET AS PER 30.06.2011

---

## ASSETS

<b>Balance Sheet - Assets</b>	<b>30.06.2011</b>	<b>31.03.2011</b>	<b>Change</b>
Intangible assets	125.380	130.875	-5.495
Tangible fixed assets	267.002	276.391	-9.389
Investments in associates	4.936	5.392	-456
Other financial fixed assets	1.015	2.373	-1.358
Inventories	180.331	190.934	-10.603
Receivables	247.377	253.260	-5.883
Bank deposits, cash and similar	10.668	8.312	2.356
<b>Total Assets</b>	<b>836.710</b>	<b>867.536</b>	<b>-30.826</b>

(NOK 1 000)

# BALANCE SHEET AS PER 30.06.2011

---

## LIABILITIES AND EQUITY

<b>Balance Sheet - Liabilities and Equity</b>	<b>30.06.2011</b>	<b>31.03.2011</b>	<b>Change</b>
Paid-in capital	103.438	103.309	129
Other equity	166.359	161.197	5.162
Provisions	20.075	19.276	799
Interest-bearing long-term liabilities	308.846	306.860	1.986
Interest-bearing current liabilities	56.634	82.891	-26.257
Other current liabilities	181.358	194.004	-12.646
<b>Total Liabilities and Equity</b>	<b>836.710</b>	<b>867.536</b>	<b>-30.826</b>

(NOK 1 000)

# BALANCE SHEET AS PER 36.06.2011

---

## ASSETS

<b>Balance Sheet - Assets (NOK 1 000)</b>	<b>30.06.2011</b>	<b>30.06.2010</b>	<b>Change</b>
Intangible assets	125.380	140.455	-15.075
Tangible fixed assets	267.002	327.423	-60.421
Investments in associates	4.936	5.746	-810
Other financial fixed assets	1.015	1.005	10
Inventories	180.331	114.419	65.912
Receivables	247.377	214.391	32.986
Bank deposits, cash and similar	10.668	9.298	1.370
<b>Total Assets</b>	<b>836.710</b>	<b>812.736</b>	<b>23.974</b>

# BALANCE SHEET AS PER 30.06.2011

---

## LIABILITIES AND EQUITY

<b>Balance Sheet - Liabilities and Equity</b>	<b>30.06.2011</b>	<b>30.06.2010</b>	<b>Change</b>
Paid-in capital	103.438	177.888	-74.450
Other equity	166.359	69.249	97.110
Provisions	20.075	26.254	-6.179
Interest-bearing long-term liabilities	308.846	315.324	-6.478
Interest-bearing current liabilities	56.634	45.387	11.247
Other current liabilities	181.358	178.634	2.724
<b>Total Liabilities and Equity</b>	<b>836.710</b>	<b>812.736</b>	<b>23.974</b>

(NOK 1 000)

# CASH FLOW STATEMENT AS AT 30.06.2011

---

## FIRST HALF INTERIM 2011

<b>Cash Flow Statement (NOK 1 000)</b>	<b>30.06.2011</b>
Profit before tax	43.159
Depreciation and write-downs	37.898
Change in net working capital	-8.549
Net cash flow from operations	72.508
Net cash flow from investment activities	-11.160
Net cash flow from financing activities	-59.707
Net change in cash and cash equivalents	1.640
Cash and cash equivalents at start of period	9.028
Cash and cash equivalents at end of period	10.668
Available unused credit facility	92.717



**HEXAGON**  
COMPOSITES

# SUMMARY & OUTLOOK



# MARKET DRIVERS



## Composite containers

LPG:

Market change from steel to composite cylinders

Increased focus on design, light-weight and safety



## High-pressure containers

Increased oil price and stable low gas price will increase gas vehicle market

Increasing political incentives:

- CNG Europe: Biogas
- CNG USA: Natural gas

More gas vehicles require more filling stations

Conversion of power plants from oil to gas

- more bulk hauling

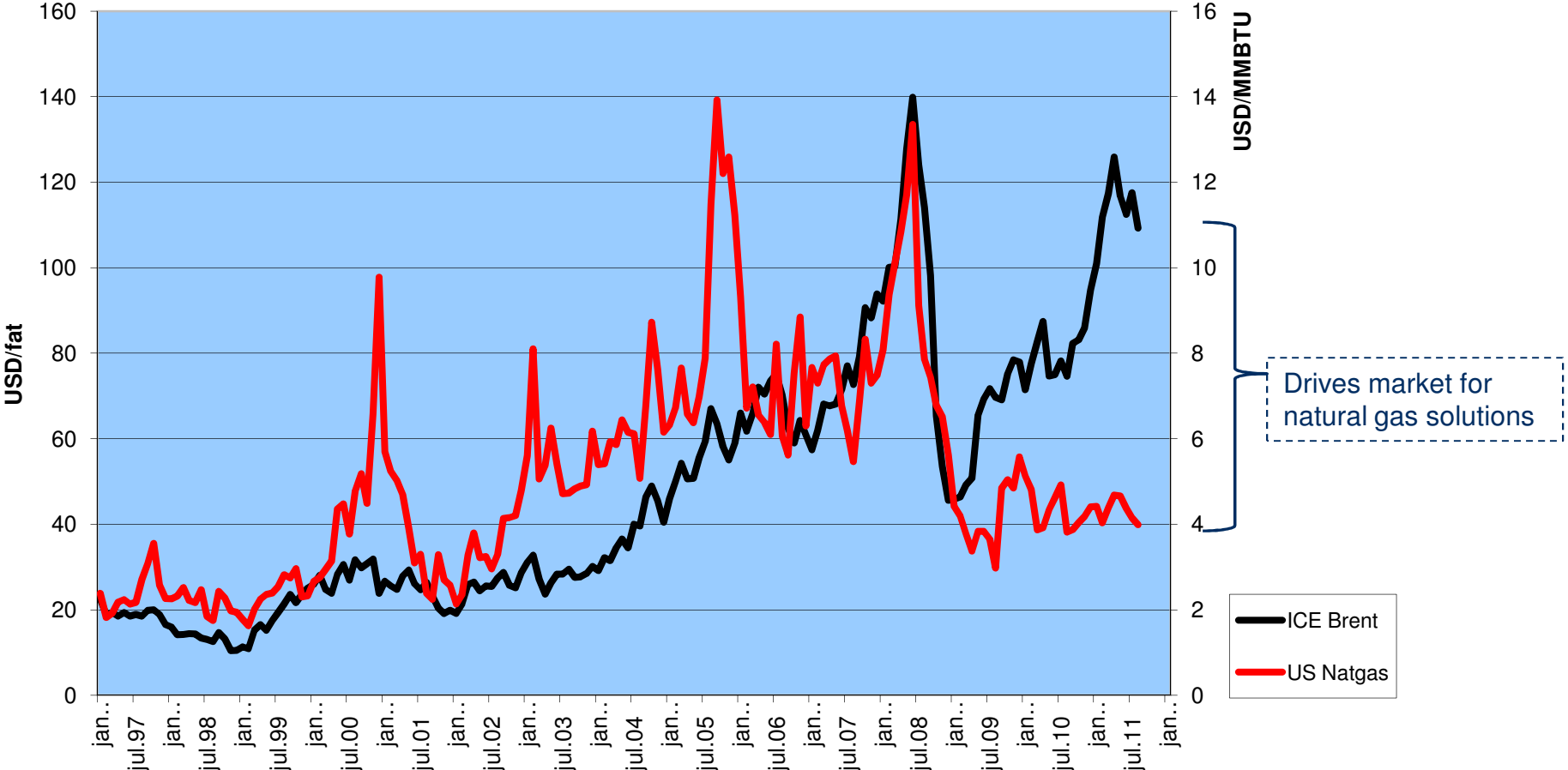


## Composite reinforcements

Continued growth with wind power as clean energy

# OIL AND NATURAL GAS

ICE Brent og US Natgas - Historisk



# SUMMARY & OUTLOOK



- ▶ Lower order book for second half of 2011
- ▶ Continued strong focus on sales activities and cost reductions
- ▶ Positive potential customer portfolio for 2012

	1st half interim 2010	1st half interim 2011
Total Sales	185.630	274.309
EBITDA	45.767	56.318
EBIT	25.241	30.008
EBIT %	13,60 %	10,94 %

# SUMMARY & OUTLOOK



- ▶ The order book for second half of 2011 is satisfactory
- ▶ Good market interest for TITAN™
- ▶ Continued strong CNG vehicle market in USA
- ▶ Expected weaker European bus market in the second half of 2011
- ▶ Increasing prices of raw material and carbon fiber may reduce margins
- ▶ Positive interest in our innovation projects (riser, hybrid accumulators, hydrogen)

	1st half interim 2010	1st half interim 2011
Total Sales	133.532	214.735
EBITDA	12.291	36.867
EBIT	5.619	29.539
EBIT %	4,21 %	13,76 %

# SUMMARY & OUTLOOK



- ▶ Continued improved turnover in Q2
- ▶ Implemented restructuring measures yield lower costs and increasing margins
- ▶ Turnover for second half of 2011 is expected to be on the same level as first half
- ▶ Expected moderate growth in the wind power market

	1st half interim 2010	1st half interim 2011
Total Sales	55.514	86.082
EBITDA	-7.556	3.322
EBIT	-12.231	-750
EBIT %	-22,03 %	-0,87 %

# MANAGEMENT FOCUS GOING FORWARD

---

## ▶ Strategic

- Structure Group sales and market activities
- Further consolidation planning

## ▶ Operational

- Further cost reduction measures
- Working capital improvements





**HEXAGON**  
COMPOSITES



**Q & A**