

DRIVING ENERGY TRANSFORMATION

A scenic landscape featuring rolling green hills under a warm, orange-hued sky at sunset. A winding asphalt road curves through the hills, bordered by a wooden fence. The text "DRIVING ENERGY TRANSFORMATION" is overlaid in large, bold, white capital letters.

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HEXAGON

Q4

2019 FOURTH QUARTER

OSLO, 12 FEBRUARY 2020

JON ERIK ENGESET, CEO
DAVID BANDELE, CFO

Agenda

- Company update
- Summary Group highlights and financials
- Outlook
- Q & A
- Appendix: Segment financials & other material

Time for action

- Global warming widely recognized as a main threat to civilization
- Global sustainable assets under management reached USD 31 trillion in 2018 vs USD 23 trillion in 2016*
- Global insurers see climate change as a major business risk



Source: The Guardian

Hexagon is a member of the UN Global Compact and committed to its initiatives

"The evidence on climate risk is compelling investors to reassess core assumptions about modern finance."

- Larry Fink, Chairman and Chief Executive Officer, BlackRock

The UK taking lead among large economies

- UK will ban sales of new petroleum cars from 2035
 - 5 years earlier than previous commitment
 - Ambition to hit net zero transportation emissions by 2050
- Norway aims to ban sales of petroleum cars by 2025
 - 42.4% of new car sales in 2019 were BEVs
- Sweden will ban sale of petroleum cars by 2030
- British Columbia, Canada will ban petroleum cars by 2040
 - 10% of all cars must be zero emission by 2025
- California to reduce petroleum use in vehicles by 50% within 2030



“There can be no greater responsibility than protecting our planet, and no mission that a global Britain is prouder to serve”

- Boris Johnson, Prime Minister of the UK

EU turns on the heat

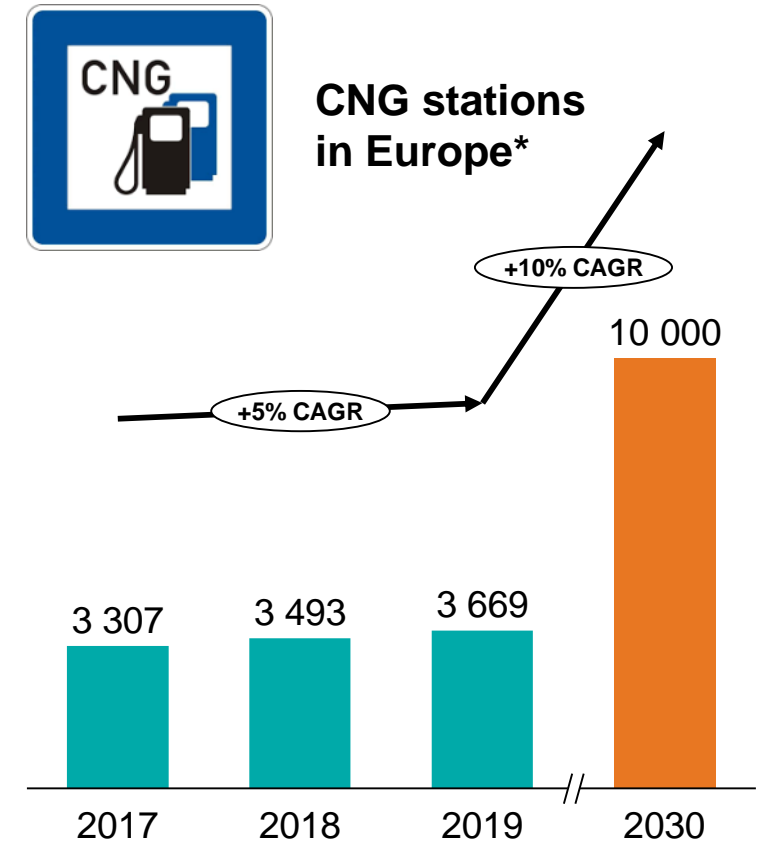
- CO2 emission limits implemented from 2020; full force from 2021
 - 95g CO2/km for passenger cars
 - 147g CO2/km for light commercial vehicles
 - Penalty of EUR 95 for each g/km above limit
- New targets from 2025
 - 81g CO2/km for passenger cars
 - 125g CO2/km for light commercial vehicles
- Heavy-duty vehicles
 - 15% reduction by 2025 vs 2019* level
 - 30% reduction by 2030 vs 2019* level



g-mobility

Infrastructure expanding

- EU supports natural gas to achieve climate goals
 - Subsidies and tax reliefs
- Key markets: Italy, Germany, Sweden, Spain and Benelux
 - Spain emerging as key market
- CNG part of Volkswagen Group's alternative fuel strategy

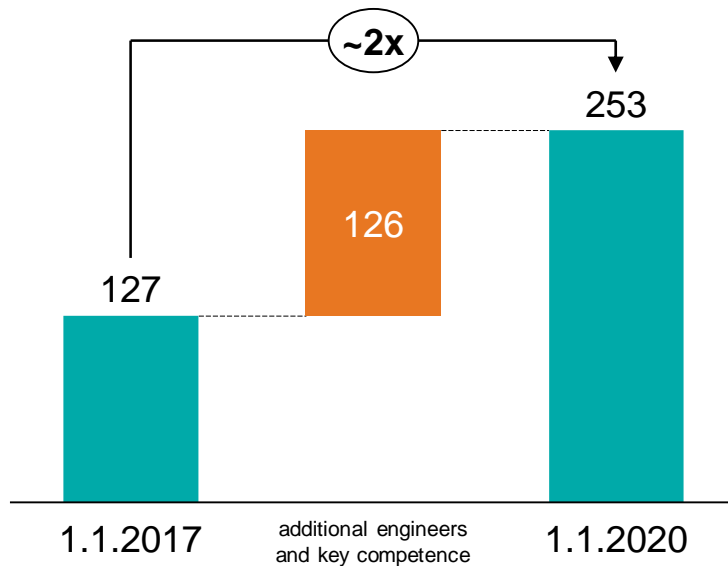


e-mobility

Hexagon Purus ramped up

Organizational development

- 4 engineering centers and 4 production sites
- Expanded engineering and complex project management capabilities



Capacity expansion

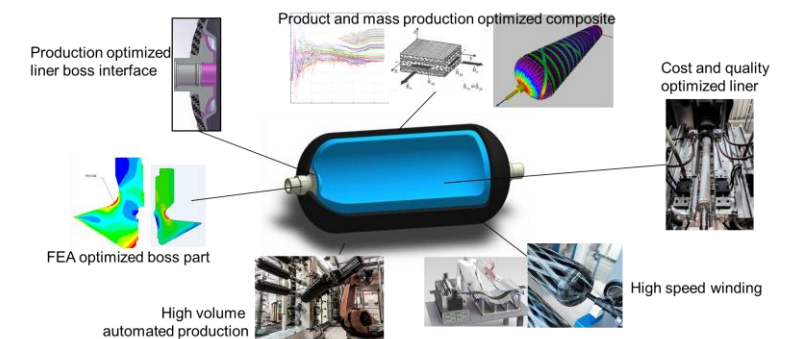
- Implementing world class manufacturing processes



LDV expansion Purus Kassel

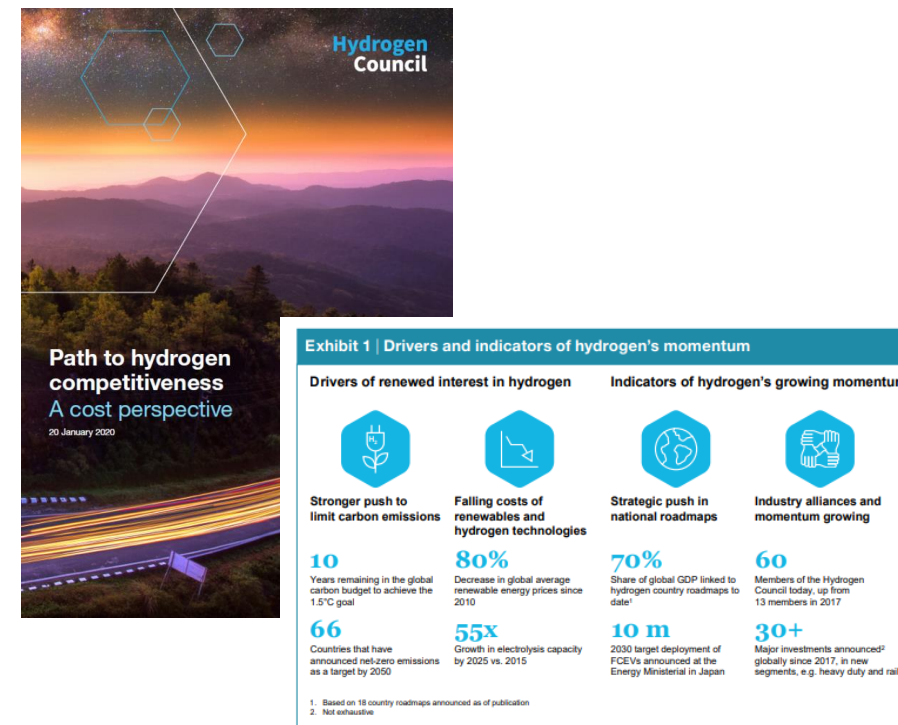
Product development

- >50 ongoing development projects



McKinsey eyes hydrogen cost competitiveness by 2030

- Heavy-duty trucks and buses
- Passenger ferries and regional ferries
- USD 70 billion investments required over the next 10 years
 - <5% of annual global energy spend



“2020 marks the beginning of a new era for energy: as the potential for hydrogen to become part of our global energy system becomes a reality, we can expect fewer emissions and improved security and flexibility.”

-Benoît Potier, Chairman and CEO of Air Liquide and Co-chair of the Hydrogen Council

World class manufacturing

Gearing up for scale

Raufoss, Norway

2018 new liner
technology and
footprint expansion



Kassel, Germany

2019 CNG-LDV
expansion



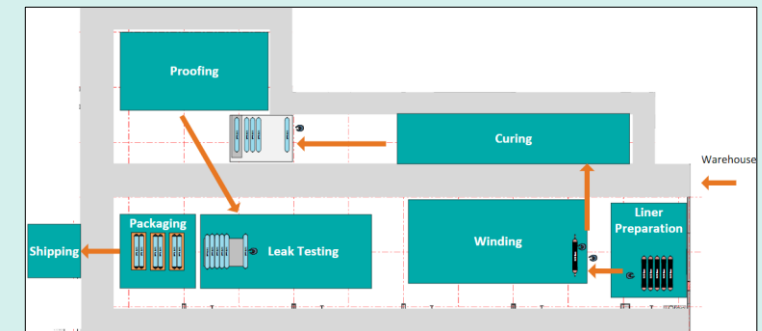
Lincoln, Nebraska

2020 CNG-HDV tank
expansion



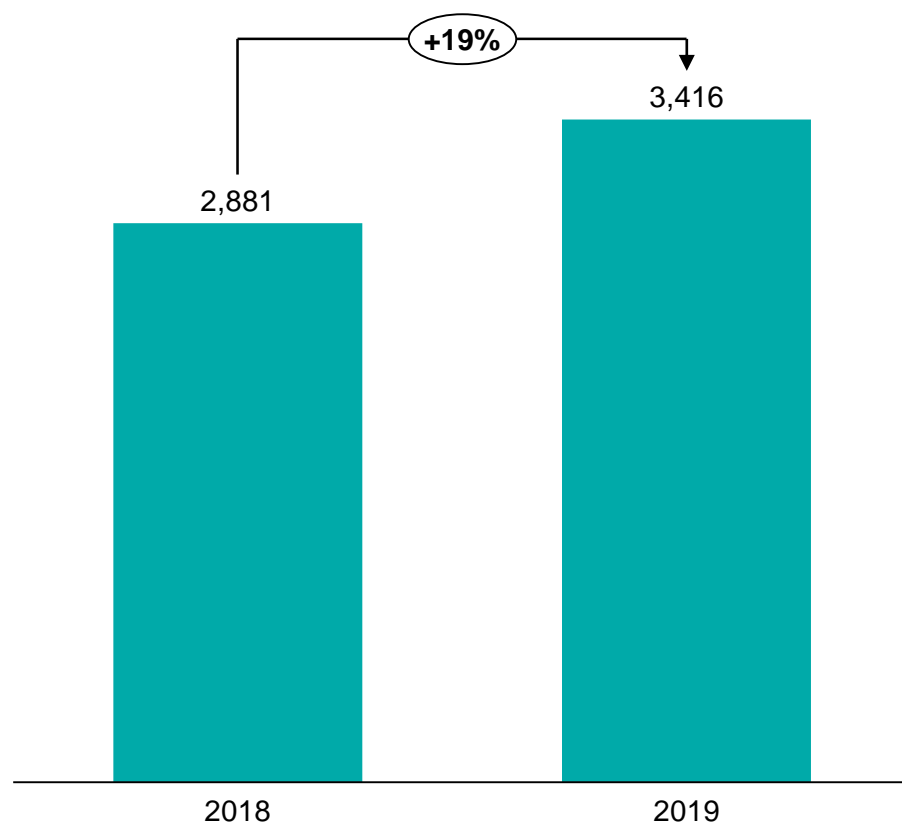
Kassel, Germany

2021 CNG-HDV
cylinder line
(illustration)

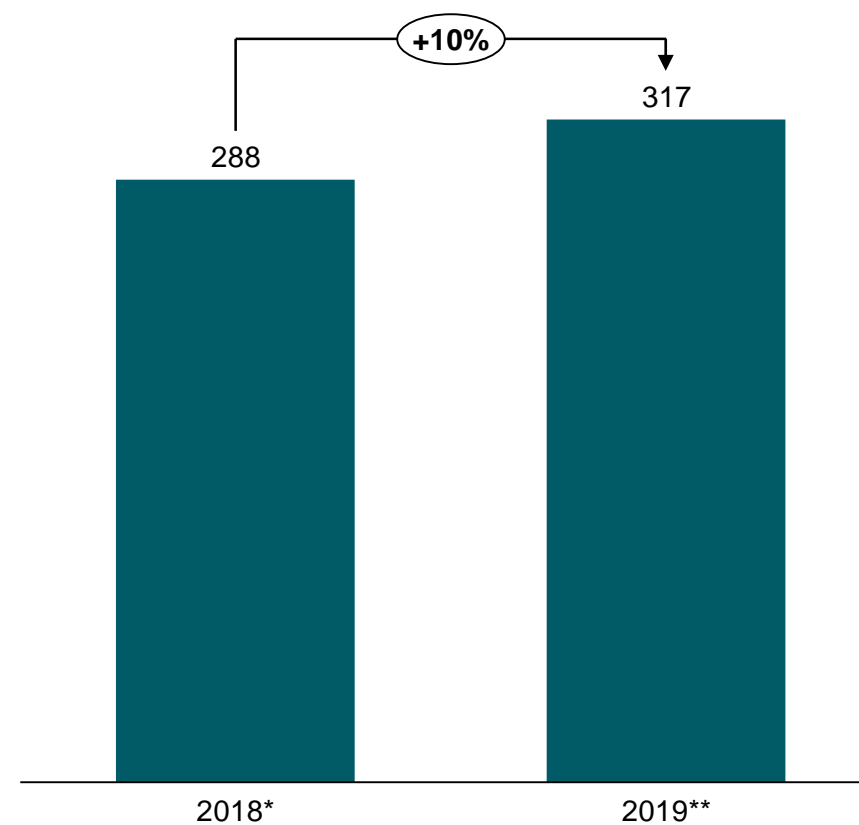


2019: The year in review

Pro-forma revenue | NOKm



Pro-forma adjusted EBITDA | NOKm



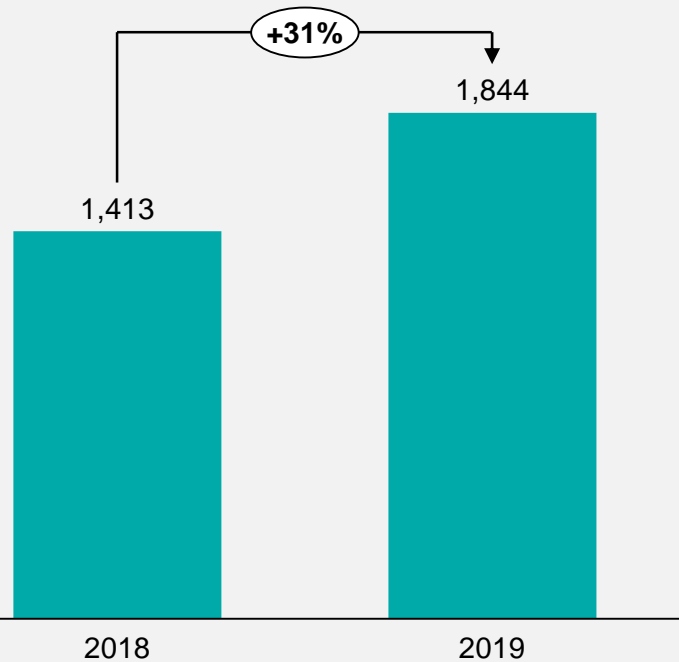
Note: *Excl. a positive impact of a reduction of an earn-out obligation related to the xperion acquisition in 2016 and legacy unvested stock compensation charges in Agility

** Excl. a gain from the Agility acquisition net of all transaction related charges

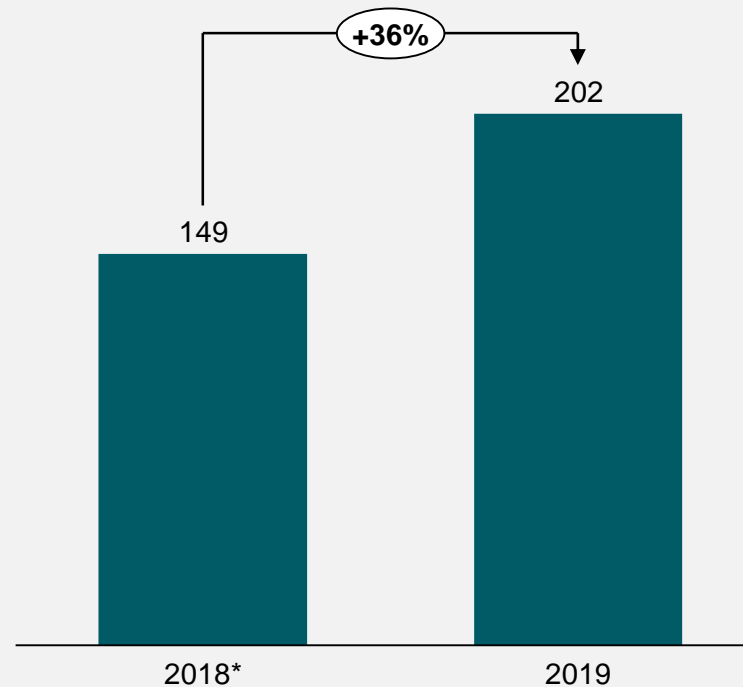
Agility Fuel Solutions

Great post acquisition development

Pro-forma revenue | NOKm



Pro-forma EBITDA | NOKm



Agility Fuel Solutions

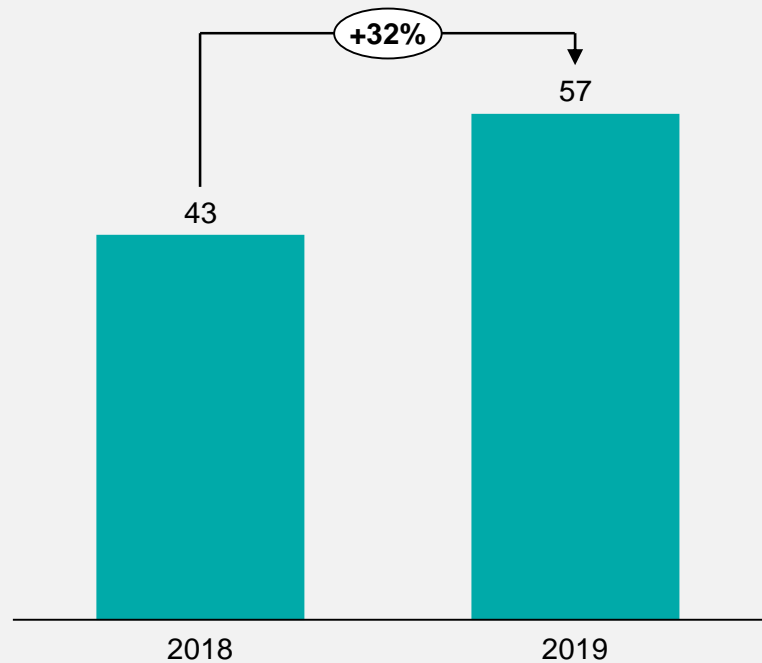
- Expanded North American footprint
- g-mobility and e-mobility drivetrain systems competence
- Profitable, cash positive business



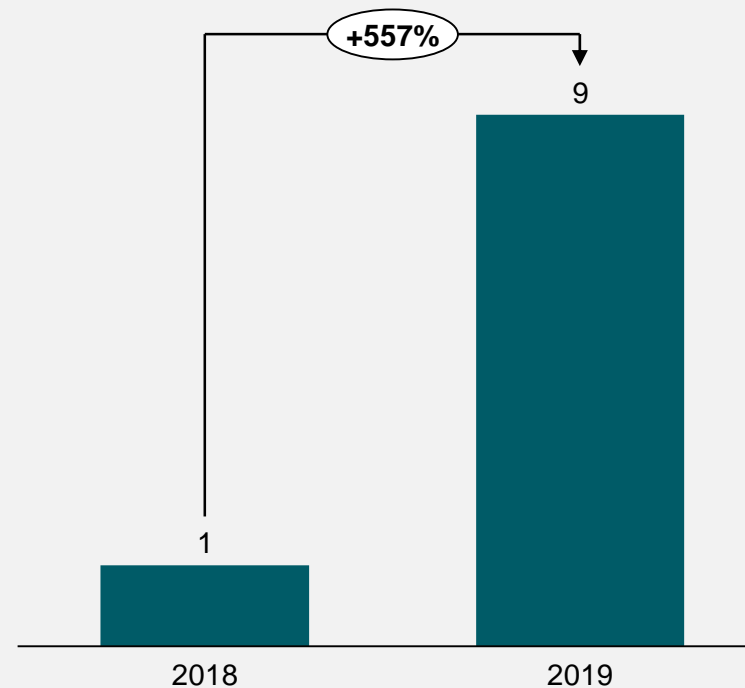
Digital Wave

Great post acquisition development

Pro-forma revenue | NOKm



Pro-forma EBITDA | NOKm



Digital Wave

- Digital requalification and testing capabilities

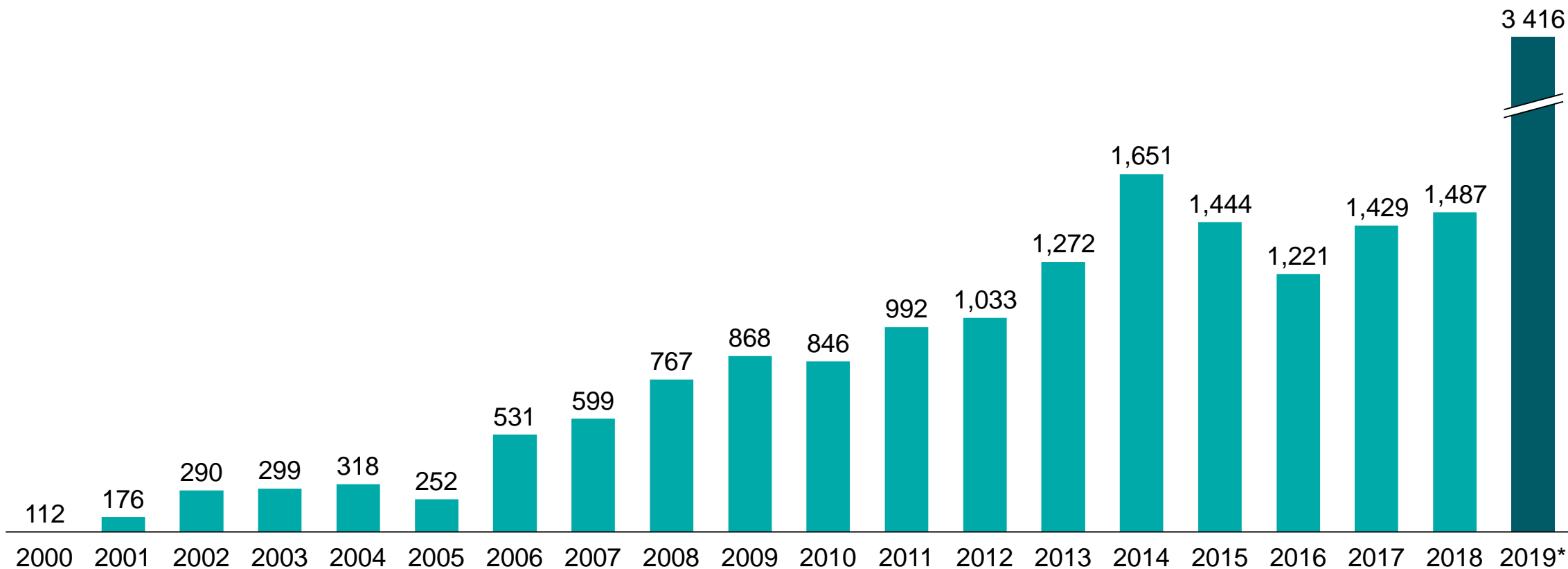




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Non-linear growth

Reported revenues, NOKm



Agility represents a step-change for Hexagon

* Preliminary and unaudited

DRIVING ENERGY TRANSFORMATION

The image is a full-page background featuring a landscape of rolling green hills under a warm, orange-hued sky, suggesting a sunset or sunrise. A dark asphalt road winds through the hills, bordered by a wooden fence. The text "DRIVING ENERGY TRANSFORMATION" is centered in a large, bold, white sans-serif font.



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4th

QUARTER 2019

FINANCIALS

Highlights from Q4 2019

- Record revenue and EBITDA for Agility Fuel Solutions
 - Year over year growth in all automotive applications
- Strong CNG Light-Duty Vehicle volumes
- Dynamic e-mobility market
 - 1 light-duty automotive contract cancellation after the quarter
 - More than 50 ongoing development projects
- Decent Mobile Pipeline volumes
 - Growing RNG activities
- Satisfactory contributions from Digital Wave and MasterWorks
- Solid LPG sales volumes

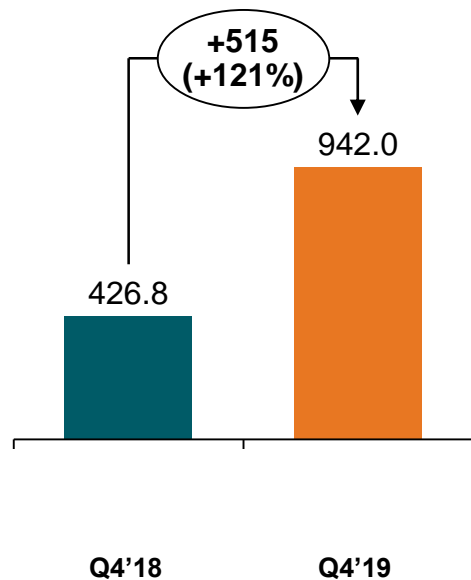


Financial highlights Q4 2019

Hexagon Composites Group | Agility consolidated from 2019

Revenues

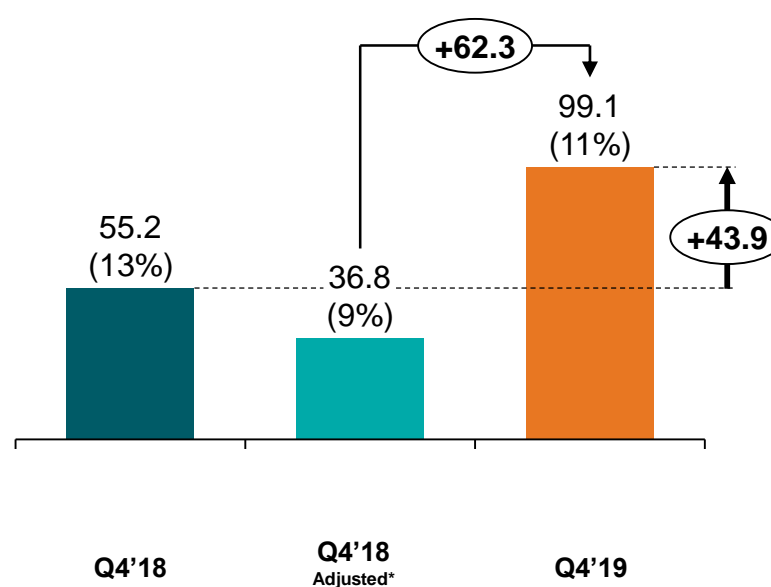
NOKm



- Growth driven by inclusion of Agility contributing +NOK 540m, solid LPG and CNG Light-duty

EBITDA

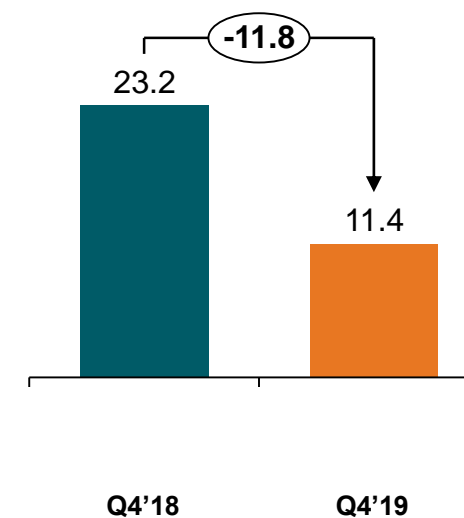
NOKm



- Agility contributes +NOK 74m
- Hydrogen ramp-up effect -NOK 37m (-14m)

Net profit

NOKm

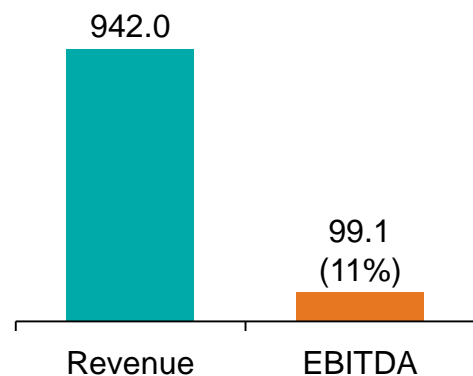


- Depreciation, amortization and reclassified contributions mainly from Agility transaction of -NOK 42m
- Effects of interest & leasing -NOK 17m; FX -NOK 22m; tax +NOK 25m

Group margin adjusted for Hydrogen | Q4 2019

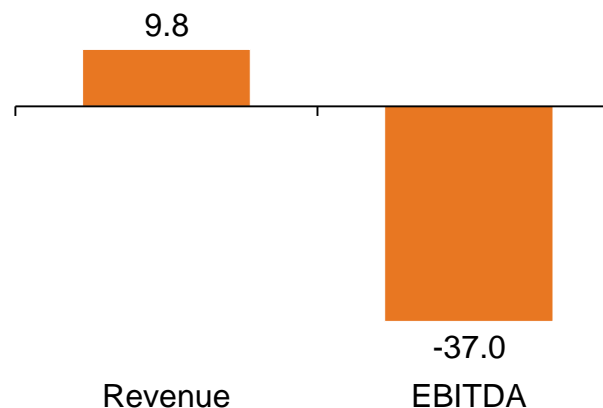
HEX Group reported

NOKm



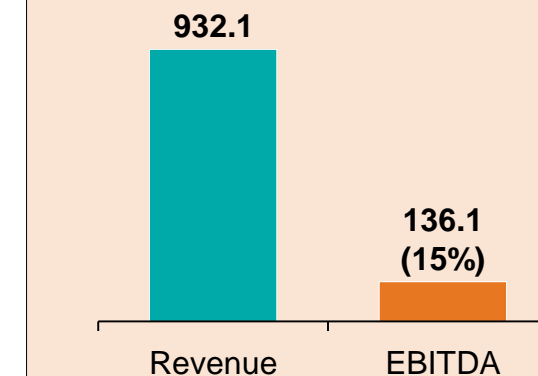
Hydrogen

NOKm



Normalized HEX ex. Hydrogen

NOKm

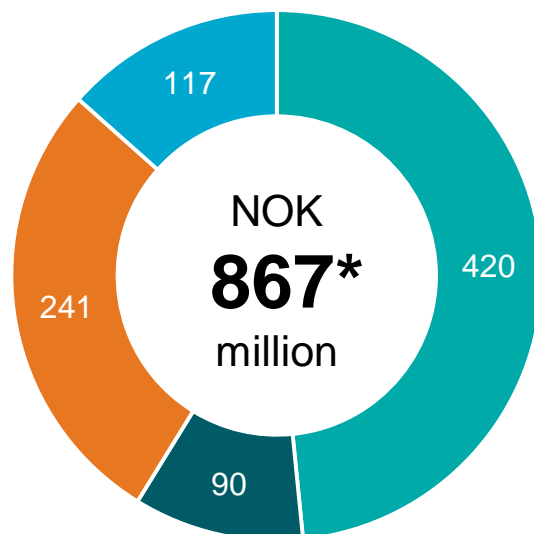


15% Group EBITDA margin before Hydrogen investments

Revenue by segment Q4 2019 | Before Group eliminations*

Revenue Q4'18 (Proforma Agility & Digital Wave numbers)

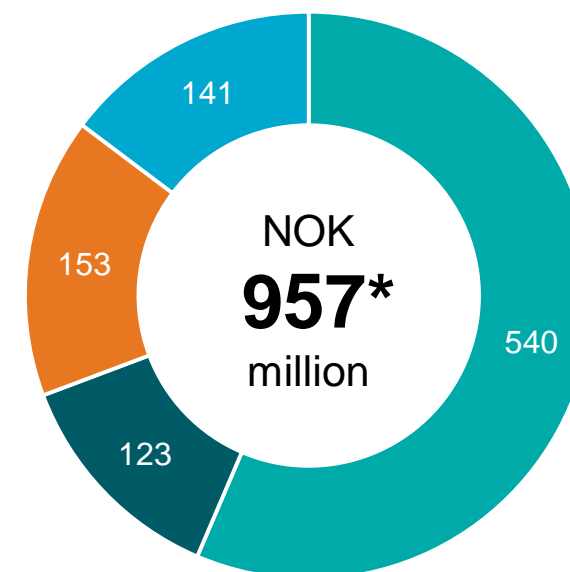
NOKm, before group eliminations



- Agility Fuel Solutions (Heavy and Medium-Duty)
- Hexagon Purus (Hydrogen & CNG Light-Duty Vehicles)
- Hexagon Mobile Pipeline & Other
- Hexagon Ragasco LPG

Revenue Q4'19

NOKm, before group eliminations



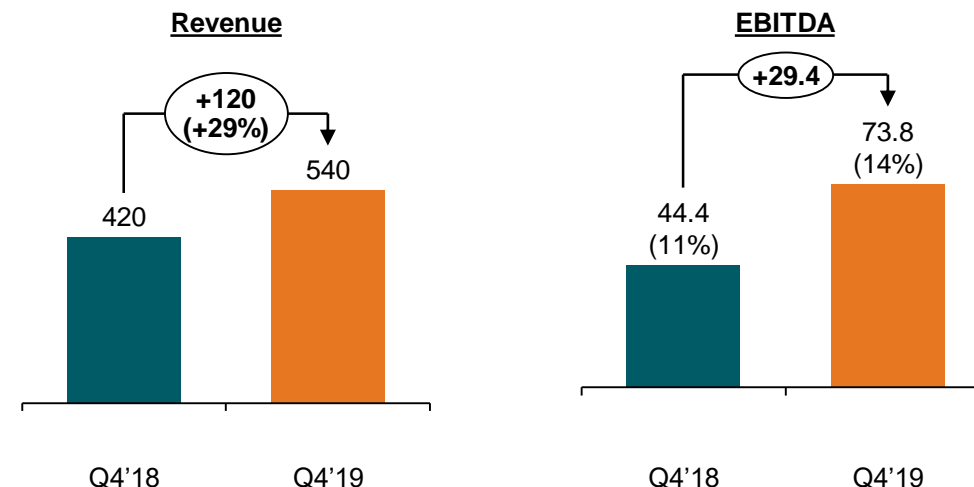
- Agility Fuel Solutions (Heavy and Medium-Duty)
- Hexagon Purus (Hydrogen & CNG Light-Duty Vehicles)
- Hexagon Mobile Pipeline® & Other
- Hexagon Ragasco LPG

Agility Fuel Solutions: Q4 2019

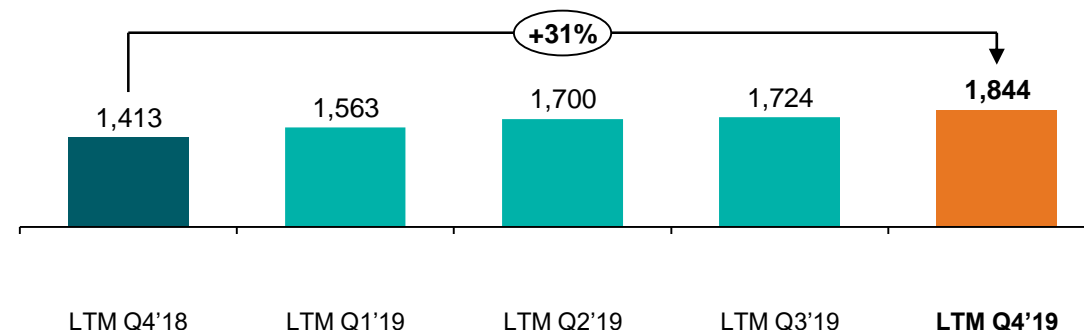
- Record revenue and EBITDA quarter
- This quarter saw year-over year growth in:
 - North American Medium & Heavy-Duty Truck
 - European & North American Transit Bus
 - EV Truck
- Lower Refuse Truck volumes as orders were skewed to first half of 2019
- Self-funded and strongly cash generating
 - LTM Reported EBITDA of NOK 202m
 - LTM Capex of NOK 52m

Q4'19 vs. Q4'18*

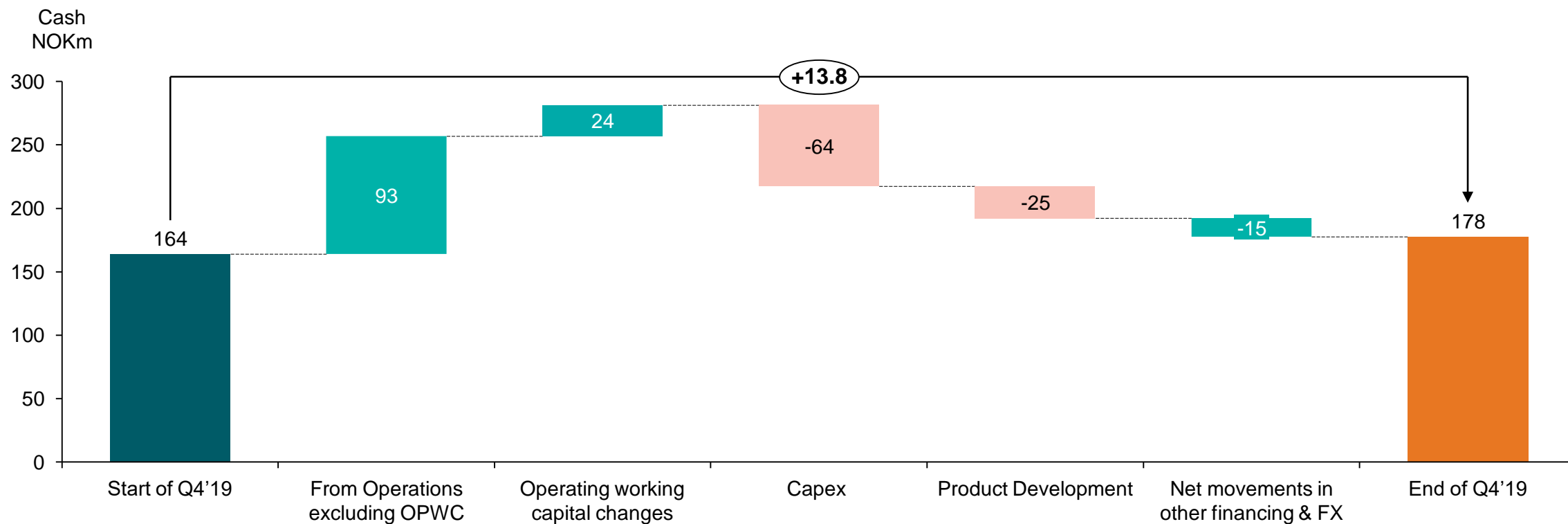
NOKm, *2018 = Pro-forma on reported basis. 2019 = Segment reported



Last Twelve Months (LTM) Revenues*



Group cash movements Q4 2019



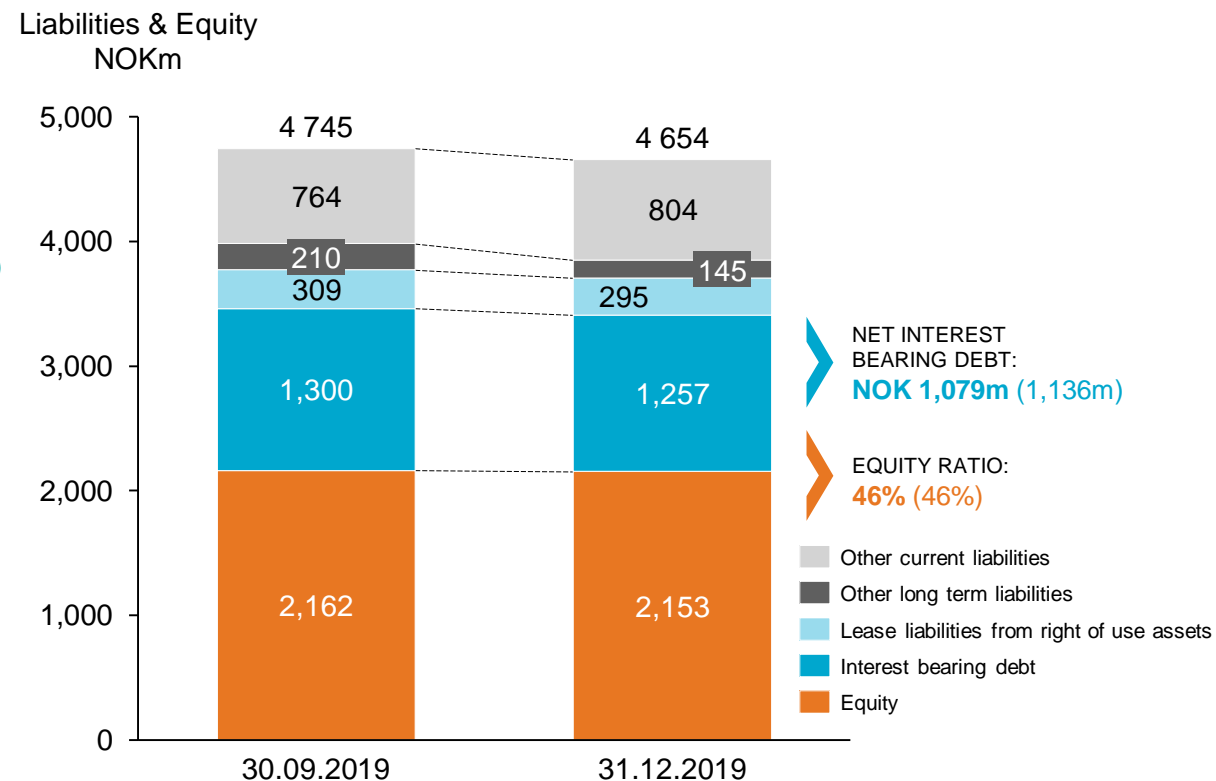
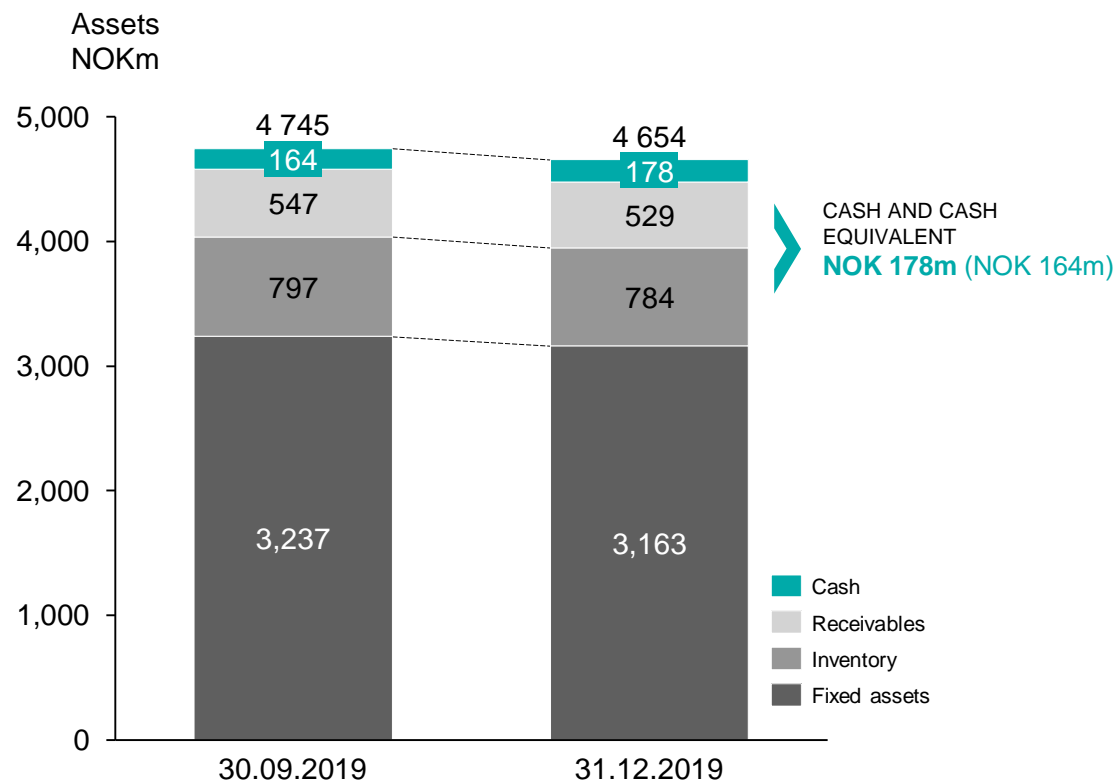
Capex and product development funded by cash from operations

Balance sheet | Q4 2019 vs Q3 2019

NOK 1,079m Net Interest Bearing Debt & 46% Equity Ratio



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Stable and strong Balance Sheet



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SELECTED

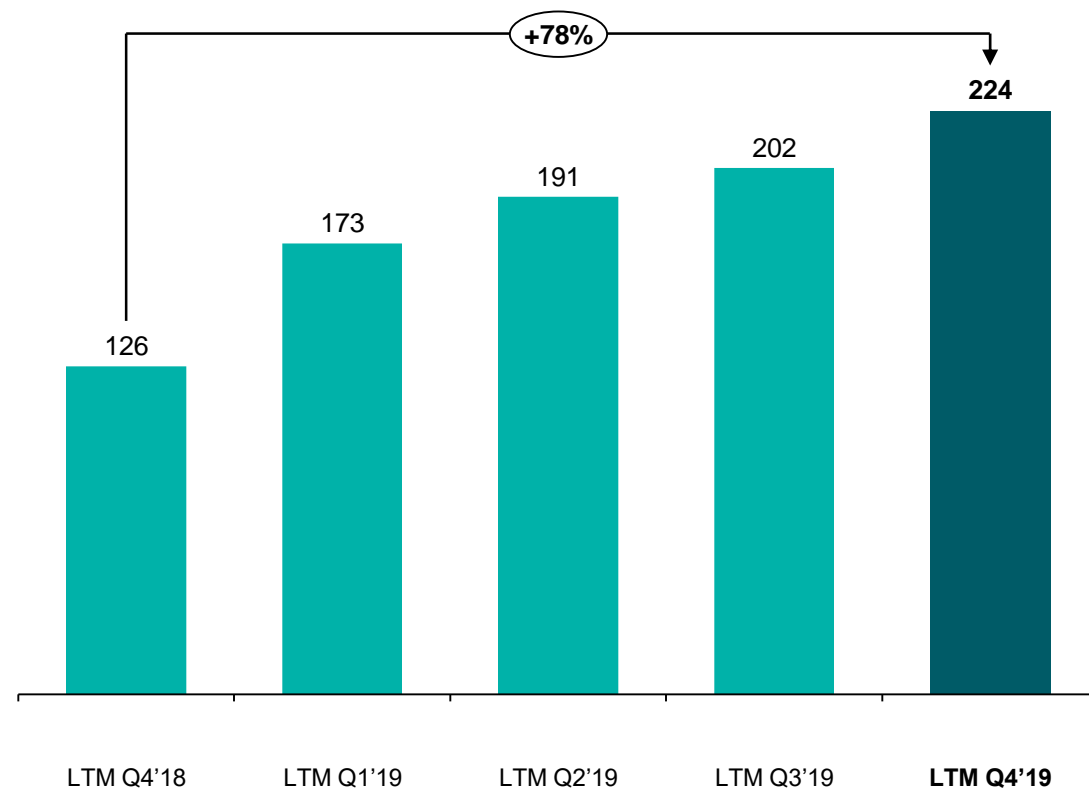
BUSINESS FOCUS

- European transit bus spotlight

Transit bus Europe: A g-mobility growth story

- Very strong growth, 78% LTM in 2019
 - Driven by EU Clean air regulations and favorable TCO for fleets/municipalities
 - Over one-third of total transit bus revenues are now from Europe
 - 12% of total Agility revenues in 2019
- Volume increases justify further investment into European footprint
- Efficiencies in using existing manufacturing footprint

Revenues Transit bus Europe (NOKm)





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Preliminary & unaudited

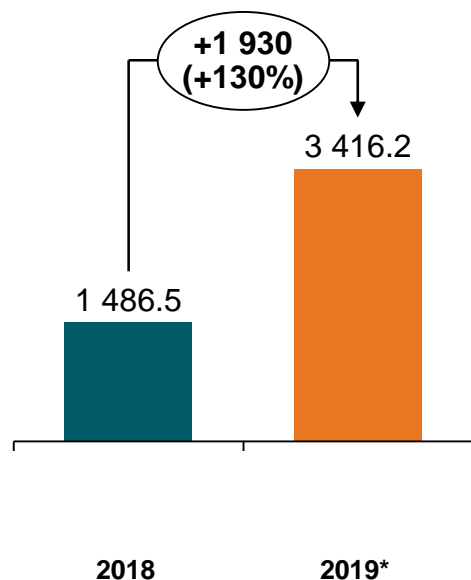
Full Year 2019

Financial highlights Full Year 2019*

Hexagon Composites Group | Agility consolidated from 2019

Revenues

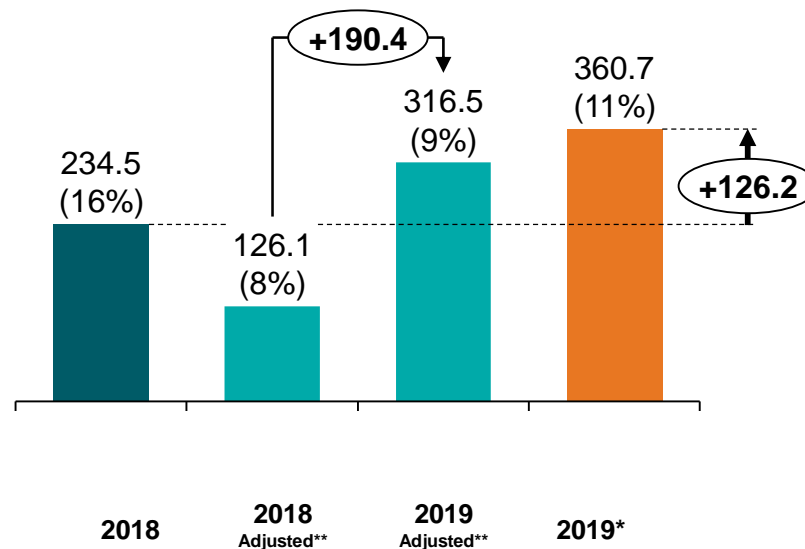
NOKm



- Growth driven by inclusion of Agility contributing +NOK 1 844m and strong CNG LDV, offsetting reduced MP and LPG

EBITDA

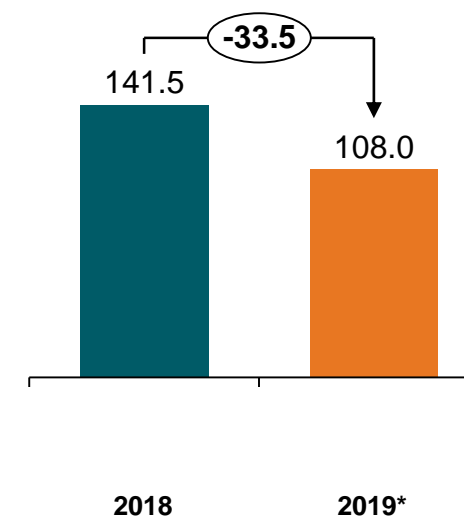
NOKm



- Agility contributes +NOK 202m
- Hydrogen ramp-up effect -NOK 108m (-55m)

Net profit

NOKm



- Depreciation, amortization and reclassified contributions mainly from Agility transaction of -NOK 164m
- Effects of interest & leasing -NOK 77m; FX +NOK 59m; tax +NOK 23m

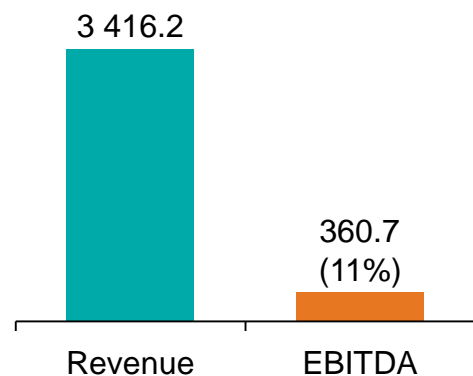
* Preliminary and unaudited

** Adjusted in 2018 for NOK 108.4m reversal in earn-out accrual related to 2016 acquisition of xperion and in 2019 for NOK 44.2m impact of gain, net of all transaction related charges, on Agility transaction

Group margin adjusted for Hydrogen | 2019*

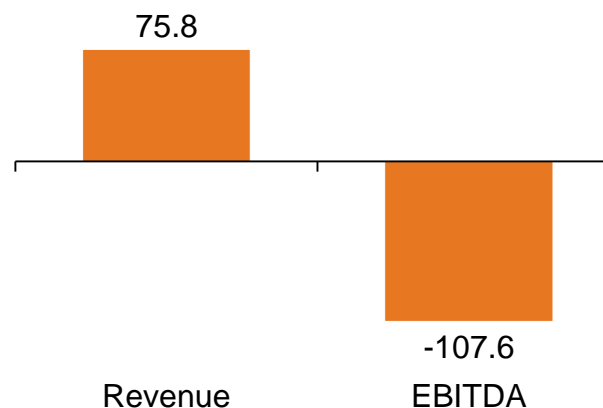
HEX Group reported

NOKm



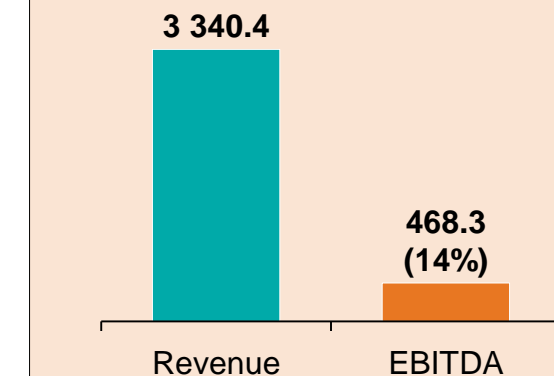
Hydrogen

NOKm



Normalized HEX ex. Hydrogen

NOKm



14% FY 2019 Group EBITDA margin before Hydrogen investments

2019* Financial Scorecard

- **14% EBITDA margin for Group ex-Hydrogen business**
 - EBITDA ramp up impact of NOK -108 million related to Hydrogen business units
- **NOK 202 million EBITDA from 31% revenue growth in Agility Fuel Solutions**
- **141% revenue growth in CNG Light-duty**
 - Tied to VW's g-mobility focus
- **NOK 108 million net profit**
- **46% Equity Ratio**
- **NOK 307 million cash from operations before expansion in OPWC****



Hexagon in 2020 | NOKm

After reorganization of e-mobility business units*



*Preliminary unaudited pro-forma figures after adjusting for reorganizations of e-mobility business units



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OUTLOOK

Agility Fuel Solutions

Medium and Heavy-Duty Vehicles



2020 looking strong

- Albeit a calmer Q1 after heated Q4'19
- Expect continued strong development in European Transit Bus segment
- Positive Medium-Duty development
 - Supported by UPS



Source: UPS

Hexagon Purus e-mobility



Growing BEV demand in North America

- Successfully delivered battery electric drivetrain integration for Daimler Trucks North America
 - Penske logged more than 10,000 miles (~16,000 km)
- Expected deliveries to three additional OEM programs in North America

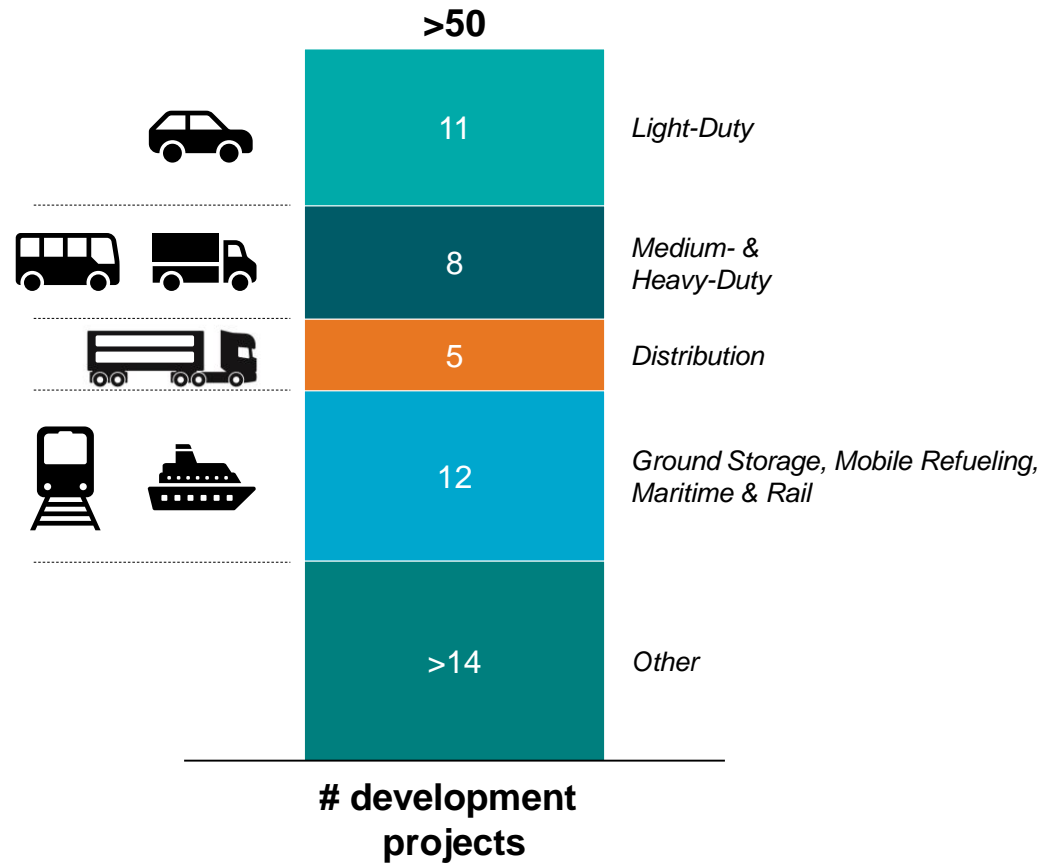


Daimler Trucks North America Innovation fleet

“(...) we believe we are the first fleet in the United States to make daily store deliveries using battery-electric heavy-duty tractors for regional distribution. We’re quite impressed with the performance of the eCascadia.”

- Marc Althen, President of Penske Logistics

Diversified hydrogen project pipeline



High number of ongoing hydrogen development projects across all segments

Hexagon Purus CNG Light-Duty Vehicles



Temporary CNG LDV disruption in first half 2020

- Volkswagen relocating CNG assembly line to Wolfsburg, Germany
- Sales expected to gradually exceed 2019 run-rate upon resumption of production in second half 2020



Source: SEAT

“We are planning to increase productivity by 25% at all German factories by 2020 as agreed. Further efforts are needed at Volkswagen in future to remain competitive, particularly post-2020.”

-Dr. Andreas Tostmann, Member of the Board of Management of the Volkswagen Brand

Hexagon Mobile Pipeline



Diversifying revenue base

- Reduced onshore oil and gas rig activity in North America
 - Risk of reduced or delayed orders from this sector
- Diversification into RNG and utilities
 - Good underlying market activity and new customer base
 - Attractive growth opportunities in the US and the UK
- Good revenue stream from services
 - Short-term rentals complement module buy-backs
 - Requirements for testing, replacements and re-certifications



RNG site at dairy farm in Wisconsin, USA

Hexagon Ragasco LPG



Solid start to the year

- Similar Q1 to Q1'19
 - Softer European leisure demand
- Continue to grow market share in Bangladesh with customer Beximco
 - Contributes to recurring revenue base
- Delivered cylinders to new markets Oman and Jordan



Seychelles Petroleum Company, Seychelles

Outlook summary

1

Challenges in Q1 2020 mainly due to temporary CNG LDV disruption and Hydrogen investment at Q4 '19 level

2

Strong revenue growth expected in Agility for 2020

3

Underlying e-mobility and g-mobility drivers are stronger than ever

DRIVING ENERGY TRANSFORMATION

A scenic landscape featuring rolling green hills under a warm, orange-hued sky at sunset. A winding asphalt road curves through the hills, bordered by a wooden fence. The text "DRIVING ENERGY TRANSFORMATION" is overlaid in large, bold, white capital letters.



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APPENDIX

Q4 and FY 2019 Group income statement

NOK MILLION
Revenue
Operating expenses
Earn-out obligation reversal / gain on transaction
EBITDA
Depreciation on tangibles
Amortisation and impairment
EBIT
Share of profit/(loss) from associates
Other financial items (net)
Profit/(loss) before tax
Tax expense
Profit/(loss) after tax
<i>EBITDA %</i>
<i>EBIT %</i>
<i>Profit/(loss) after tax %</i>

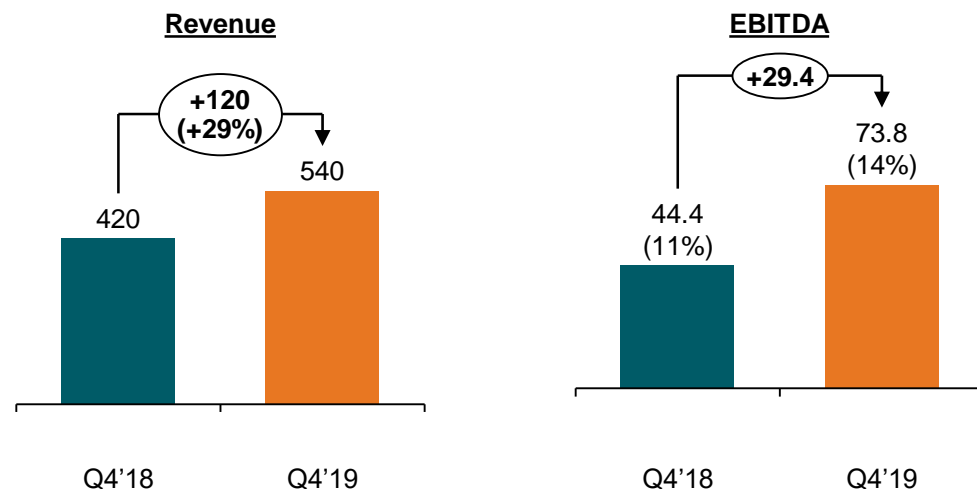
QUARTER		
Q4 2019	Q4 2018	Variance
942,0	426,8	515,2
(842,9)	(390,0)	(452,9)
0,0	18,4	(18,4)
99,1	55,2	43,9
(48,6)	(12,7)	(35,8)
(14,1)	(23,3)	9,2
36,5	19,2	17,2
0,1	15,5	(15,4)
(31,3)	7,9	(39,2)
5,3	42,6	(37,3)
6,1	(19,3)	25,4
11,4	23,3	(11,9)
10,5 %	12,9 %	
3,9 %	4,5 %	
1,2 %	5,5 %	

FULL YEAR		
FY 2019	FY 2018	Variance
3 416,2	1 486,5	1 929,7
(3 125,1)	(1 360,5)	(1 764,6)
69,6	108,5	(38,9)
360,7	234,5	126,2
(182,2)	(52,4)	(129,8)
(57,4)	(41,9)	(15,5)
121,1	140,2	(19,1)
(0,7)	18,0	(18,7)
(8,1)	10,6	(18,7)
112,2	168,7	(56,5)
(4,2)	(27,3)	23,1
108,0	141,5	(33,4)
10,6 %	15,8 %	
3,5 %	9,4 %	
3,2 %	9,5 %	

Segment financial highlights Q4 2019 | (1/3)

Agility Fuel Solutions

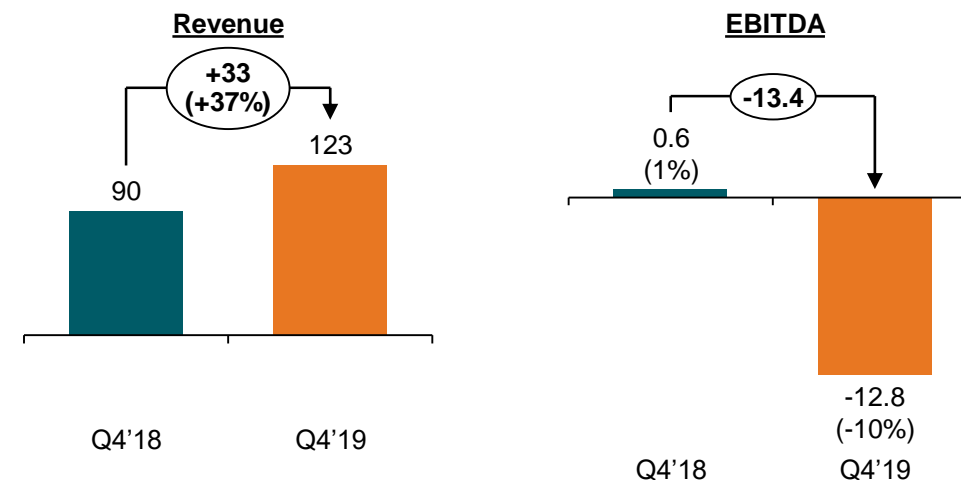
NOKm. Note: 2018 = Pro-forma on reported basis



- Strong growth in Heavy-Duty Truck, European Transit bus and Electric vehicles in Q4'19
- UPS continues to drive volumes in the Medium-Duty segment

Hexagon Purus (Hydrogen & CNG LDV)

NOKm

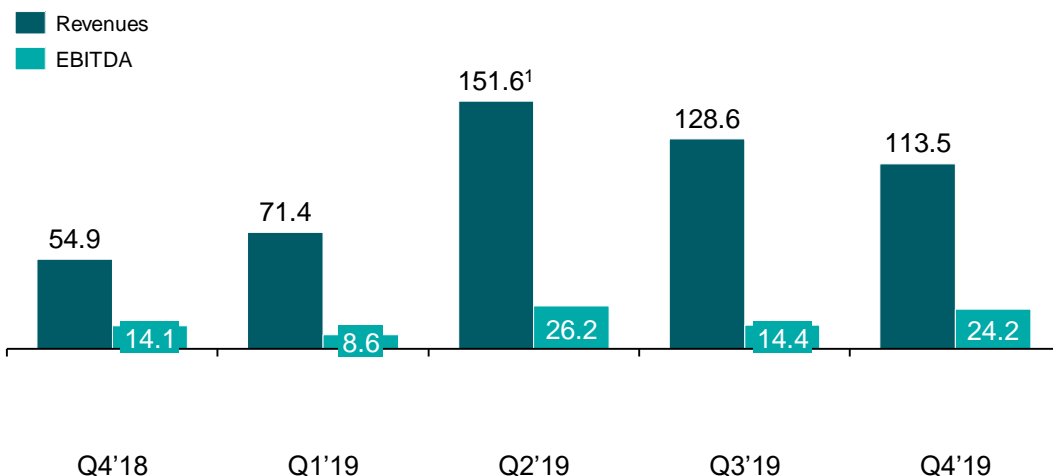


- Strong year-over-year revenue increase driven by CNG LDV
- OPEX investments in future H2 growth impacts EBITDA by NOK -37.0m
- Please see separate CNG and H2 figures on next slide

Segment financial highlights Q4 2019 | (2/3)

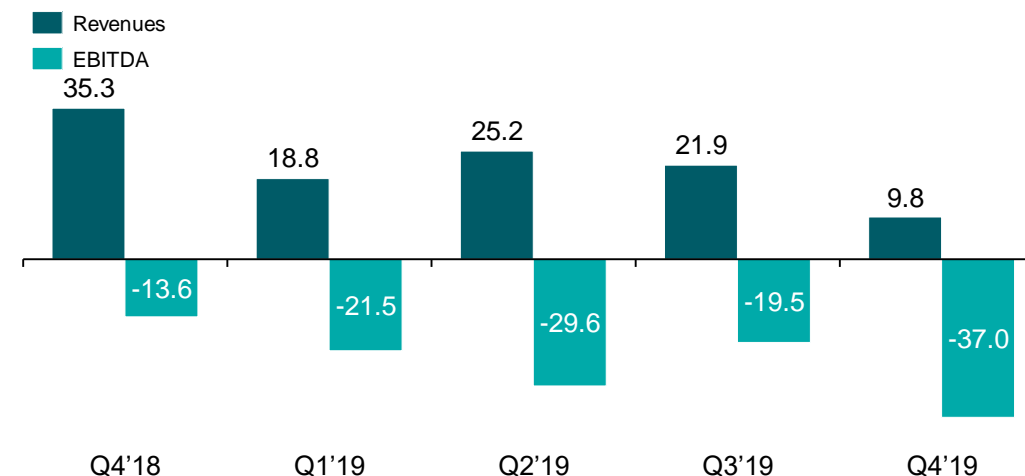
Hexagon Purus CNG-LDV

NOKm



Hexagon Purus Hydrogen

NOKm



- Strong Y-o-Y growth in 2019

- No material commercial product sales in Q4'19. For FY19, revenues are split between longer-term development programs and commercial product sales (65%:35%)
- Healthy gross margins on commercial sales and modest margins on cost plus development activities
- However gross margins do not cover impact of investing in personnel and infrastructure for future growth

¹Includes contract manufacturing

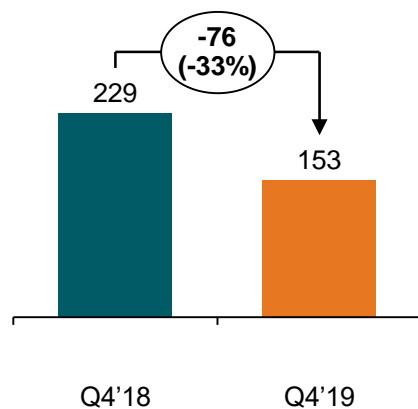
Segment financial highlights Q4 2019 | (3/3)

Hexagon Mobile Pipeline & Other

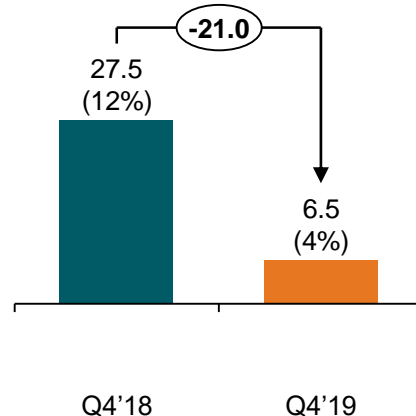
NOKm



Revenue



EBITDA



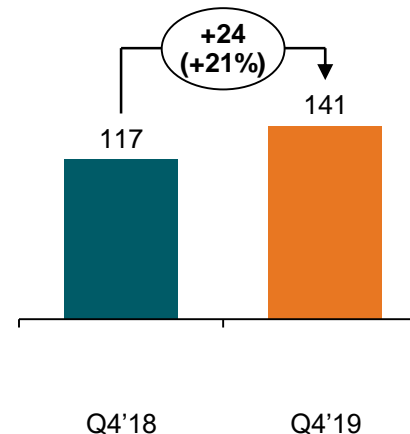
- Lower volumes vs very strong Q4 '18; mainly driven by a reduction in O&G and energy intensive applications. Partly compensated by positive development in RNG and industrial gases
- Solid contribution from Digital Wave in Q4'19, not consolidated in the numbers in 2018

Hexagon Ragasco (LPG)

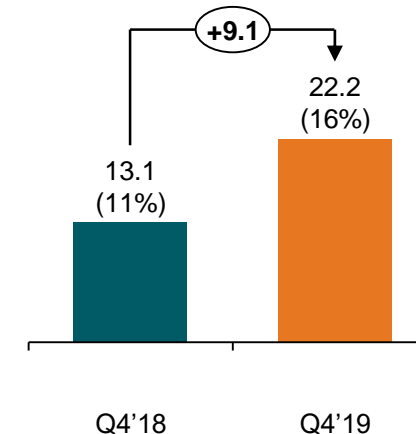
NOKm



Revenue

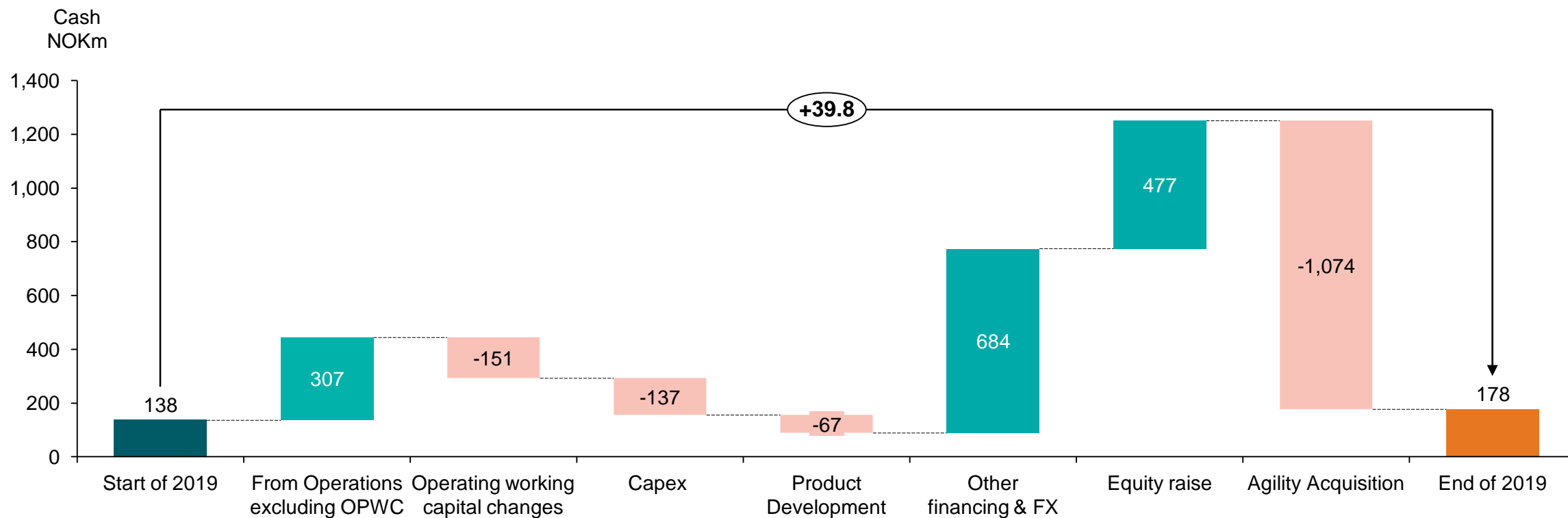


EBITDA



- Higher volumes Y-o-Y, mainly driven by increased volumes to Bangladesh
- Solid underlying EBITDA margin of 16% in Q4'19

Group cash movements 2019*



Financed investments in capacity and product development with operational cashflow || M&A Agility investment