



HEXAGON

# Q1

2018 FIRST QUARTER



# FIRST QUARTER 2018 REPORT

NOK 1 000 EXCEPT PER SHARE DATA	Q1 2018	Q1 2017	PERCENT CHANGE
<b>GROUP RESULTS</b>			
Operating income	416.3	346.2	20%
Operating profit before depreciation (EBITDA)	66.5	35.1	90%
Operating profit (EBIT)	47.3	16.6	184%
Profit before tax	31.3	6.3	399%
Profit after tax	23.1	7.2	218%
<b>SEGMENT RESULTS</b>			
<b>HEXAGON HYDROGEN &amp; LIGHT-DUTY VEHICLES</b>			
Operating income	83.5	66.5	26%
EBITDA	0.1	-1.5	108%
EBIT	-6.4	-7.0	10%
<b>HEXAGON MOBILE PIPELINES &amp; OTHER</b>			
Operating income	164.1	108.7	51%
EBITDA	20.2	0.6	3 405%
EBIT	16.3	-4.7	449%
<b>HEXAGON RAGASCO LPG</b>			
Operating income	184.9	173.1	7%
EBITDA	45.6	40.1	13%
EBIT	39.5	36.0	10%

\* All subsequent numbers in parentheses refer to comparative figures for the same period last year. Comparable figures for the new segments are prepared on proforma basis.

In the first quarter 2018 Hexagon Composites generated NOK 416.3 (346.2) million in operating income and made an operating profit before depreciation (EBITDA) of NOK 66.5 (35.1) million. Operating profit (EBIT) was NOK 47.3 (16.6) million and profit before tax came to NOK 31.3 (6.3) million.

Overall, Group operating profit has markedly improved versus the first quarter 2017. Operating results in the first quarter were impacted positively by strong sales volumes within Hexagon Mobile Pipelines and Hexagon Ragasco LPG. The EBITDA for the first quarter is the highest since the fourth quarter 2014 (excluding the exceptional gains recorded in fourth quarter 2016).

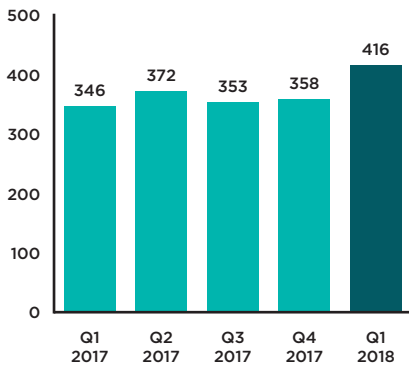
#### Key developments

- Joined the Hydrogen Council [www.hydrogencouncil.com](http://www.hydrogencouncil.com)
- Expanded into the maritime industry with the first delivery of CNG TITAN® tanks for fuel storage onboard a LNG gas supply vessel
- Executed the re-organization of the new reporting structure.

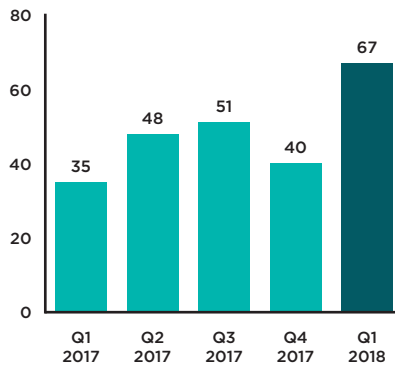
#### After balance sheet date

- Paid a dividend for 2017 of NOK 0.30 per share
- New product launches within Agility Fuel Solutions ("Agility") include new large-capacity hydrogen storage systems for Heavy-Duty Trucks and one-stop-shop natural gas and propane integration solutions for Medium-Duty vehicles
- Agility announces a partnership with Romeo Power Technology to provide modular high-performance battery packs for electric and hybrid electric commercial vehicles.

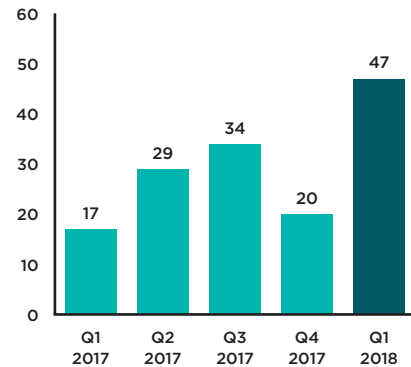
**OPERATING INCOME**  
MNOK



**EBITDA**  
MNOK



**EBIT**  
MNOK



**SEGMENT RESULTS**

Hexagon Composites was until 2017 comprised of two business segments: High-Pressure CNG & CHG and Low-Pressure LPG. As a result of the growing market opportunities for renewable fuels solutions, Hexagon has organized its Hydrogen activities and Light-Duty Vehicle activities into a dedicated single business segment.

The new segment and reporting structure from first quarter 2018 is:

- Hexagon Hydrogen & Light-Duty Vehicles
- Hexagon Mobile Pipelines & Other
- Hexagon Ragasco LPG

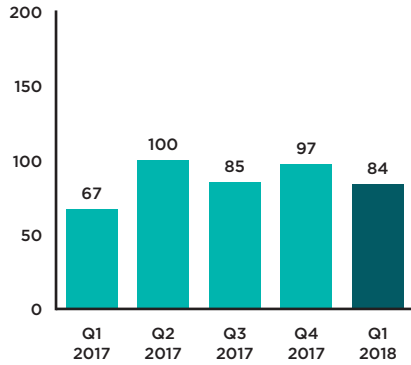
Comparable figures for the new segments are prepared on proforma basis.

Agility (50% equity accounted investment) will, as before, be reported under "Profit/loss from investments in associates and joint ventures".

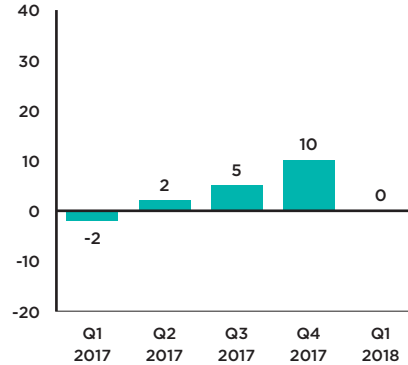
## HEXAGON HYDROGEN & LIGHT-DUTY VEHICLES

Hexagon Composites is a leading global provider of high-pressure composite cylinders and solutions for a wide range of hydrogen applications as well as CNG-fueled Light-Duty Vehicles.

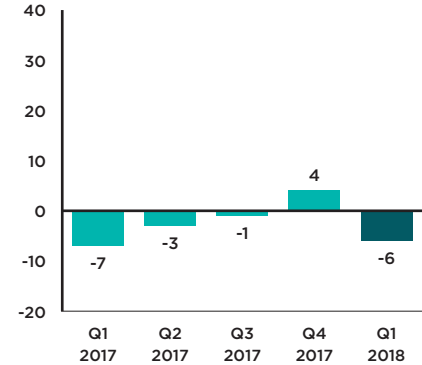
**OPERATING INCOME**  
MNOK



**EBITDA**  
MNOK



**EBIT**  
MNOK



Operating income for the segment was NOK 83.5 (66.5) million in the first quarter of 2018, a growth of 26%.

The Hydrogen business generated 19.5 (31.8) million of revenue in the first quarter. After a year of exponential growth in revenues in 2017, the Hydrogen business enters 2018 focused on three key OEM Fuel Cell Electric Vehicles (FCEV) development contracts. Revenues attributable to these contracts will be non-linear, based on progress performance. In addition, commercial revenues continue to be sourced within other mobility applications. New opportunities continue to materialize and the organization is geared towards expansion to cater for these.

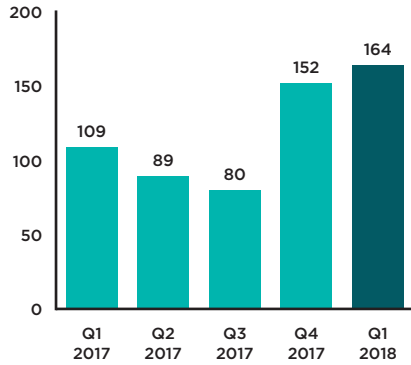
The CNG Light-Duty Vehicle (LDV) business has had a strong quarter, generating revenues of NOK 64.0 (34.7) million. The sentiment for Light-Duty Vehicles in Europe is now strong and contributes to an increasing demand for the Company's lightweight composite cylinders.

EBIT in the first quarter for the entire segment was NOK -6.4 (-7.0) million. The operating loss attributable to the Hydrogen business, which is in its early growth phase and expected to be dilutive, was NOK -7.2 million for the quarter.

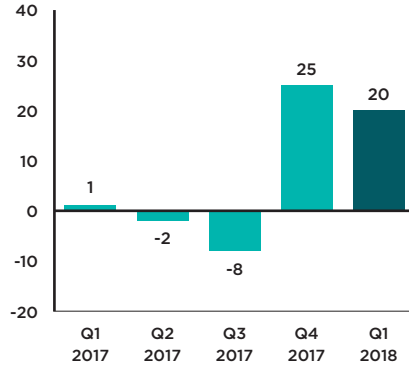
## HEXAGON MOBILE PIPELINES & OTHER

Hexagon Composites is the global market leader in high-pressure composite storage and transportation cylinders and modules for compressed natural gas (CNG) and biogas.

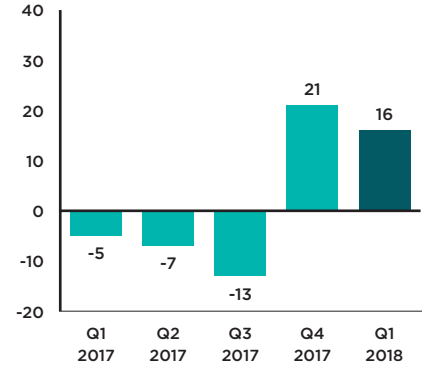
**OPERATING INCOME**  
MNOK



**EBITDA**  
MNOK



**EBIT**  
MNOK



Operating income for the segment increased by 51% to NOK 164.1 (108.7) million in the first quarter of 2018 compared with the same period in 2017.

Mobile Pipelines sales volumes for the quarter were the strongest since the fourth quarter 2014, driven by high demand in North America. Improving macro conditions, particularly in the oil and gas sector, give momentum to this business unit.

There is increasing use of the Company's Mobile Pipeline® products in connecting stranded communities and facilities to the gas grid. The products bring clean and affordable energy to these communities and eliminate the need for costly fixed pipelines. Customers continue to develop new applications for Hexagon's products that displace oil-based fuels with cleaner burning natural gas.

The Hexagon MasterWorks business unit is currently focused on product portfolio expansion opportunities within aerospace and oil and gas. The unit is also a supplier of key manufacturing equipment. This business is currently focusing on innovative customized solutions within the composite technology space. It functions as an incubator business unit focused on lower-volume specialized engineering, manufacturing and design.

EBIT in the first quarter for the segment was NOK 16.3 (-4.7) million.

## AGILITY FUEL SOLUTIONS

50% equity accounted investment

**Agility Fuel Solutions is a leading global provider of clean fuel solutions for medium- and heavy-duty commercial vehicles.**

Revenues in the first quarter 2018 for Agility, comprising the medium and heavy-duty automotive businesses, improved by 12% versus fourth quarter 2017, driven by strong Transit Bus sales. The Heavy-Duty Long-Haul Truck market remains soft with a pick-up expected following the delayed introduction of a new 12-litre near-zero emission engine, already in the second quarter. Refuse Truck volumes continue an upwards trend, while the relatively new Powertrain Systems (propane) business executes its growth plan.

The recent rise in oil prices are trickling down into increased fuel price spreads between CNG and diesel, which is ultimately very positive to the business case of Agility. There is however a natural lag before these effects result in greater demand. When combined with the environmental benefits of running on CNG versus diesel and any recognition of residual values for CNG heavy-duty vehicles, the value proposition is strong.

Agility has been the leading provider of hydrogen fuel systems integration to the North American commercial vehicle market for over fifteen years. In response to recent increased interest in hydrogen in heavy-duty trucking applications, Agility has recently introduced large-capacity hydrogen storage systems for trucks. Hexagon and Agility are working to offer next-generation hydrogen storage systems based on large-diameter high-pressure composite cylinders.

Agility continues to develop its medium-duty propane powertrain business and has secured Environmental Protection Agency (EPA) approval for its first propane engine suited to school bus and medium-duty trucks. The company offers one-stop-shop natural gas or propane integration solutions for medium-duty vehicles, including powertrain, fuel storage, and vehicle integration and installation.

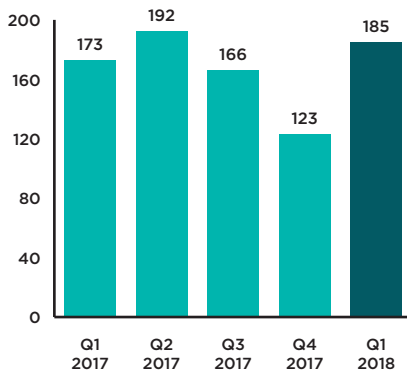
Agility's revenues for the quarter were USD 36.2 million (approximately NOK 283 million), reported EBITDA was USD 1.2 million (approximately NOK 9 million) and EBITDA adjusted for non-recurring or non-cash items was USD 2.5 million (approximately NOK 20 million). The largest adjusting item is USD 1.2 million (approximately NOK 9 million) of non-cash charges for share-based compensation related to legacy and current management incentivization plans. These plans and provisions assume significant value appreciation of Agility over time.

Hexagon Composites Group records its fifty percent share of net profit before tax below the line, as income from investments and joint ventures. After IFRS adjustments, realized income was NOK -4.1 million. This includes depreciation of intangibles of NOK -3.2 million.

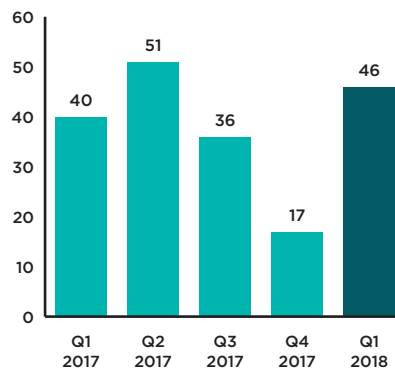
## HEXAGON RAGASCO LPG

Hexagon Composites is the global market leader in composite cylinders for propane (LPG).

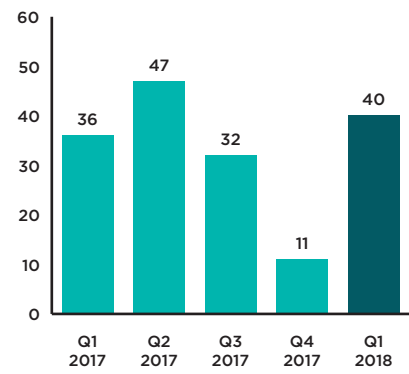
**OPERATING INCOME**  
MNOK



**EBITDA**  
MNOK



**EBIT**  
MNOK



Operating income for the LPG segment increased by 7% to NOK 184.9 (173.1) million compared with the same period in 2017. Deliveries were primarily to core markets in Europe and the Middle East.

The continued growth is attributed to greater flexibility within the product offering and increased market activities. This has been in conjunction with productivity initiatives allowing faster cycle-times and capacity improvements. The Hexagon Ragasco business area has focused on developing the value proposition for LPG marketers and distributors. The composite LPG cylinders give clear advantages in strengthening customer branding and design options to increase market share. In addition, there are significant benefits related to safety and opportunities in reducing maintenance and logistics costs.

The building expansion activities at the production facility at Raufoss, Norway are on track for completion by the start of 2019. These investments into processes and technologies will further enhance manufacturing efficiency and product differentiation, as well as provide more capacity.

EBIT for the segment increased to NOK 39.5 (36.0) million in the first quarter.

## THE GROUP

Hexagon Composites Group had a net profit after tax of NOK 23.1 (7.2) million in the first quarter after negative foreign exchange effects recorded in other financial items of approximately NOK 10 million. Interest charges for the quarter were NOK 1.7 million and other financial items, excluding the currency effects stated above, totaled NOK 0.2 million.

In general, a strong USD relative to NOK has a positive impact on Group equity due to the US operations.

At quarter end, the statement of financial position totaled NOK 2,356.2 (2,411.7) million and the Group's equity ratio was 59.5% (55.8%).

## AFTER BALANCE SHEET DATE

There have been no significant events after the balance sheet date that have not already been reported above.

## OUTLOOK

The global transition to cleaner, low-carbon energy within transport and mobility is accelerating with strong support from both public and private players. The Company maintains a leading position within Hydrogen storage, and substantial organizational investments are now being made to further develop this position. Such plans are dilutive to short and medium-term profitability, however accretive to long-term shareholder value.

With the increasing focus on lower carbon footprints within mobility globally, the importance of bio- and natural gas fueled Light-Duty Vehicles is also increasing strongly, especially in Europe. Continued profitable growth is expected for 2018.

Mobile Pipelines sales volumes are on an upwards trend. New emerging uses for Mobile Pipelines are expected to stimulate demand for the Company's products. New product configurations with stronger capacity to weight ratios are expected to come into service in the second half of this year further improving Hexagon's competitive position. Tailored financial solutions and after-market services are also made available where appropriate.

Agility's strong focus on cost, plant optimization and vertical synergies has created the platform for maximizing financial performance in the otherwise soft market cycle. The venture into Medium-Duty propane powertrain systems has proven timely, and this should be a growth driver in 2018. Agility is well positioned for future upswings in the Medium and Heavy-Duty market both as a result of the increased focus on lower carbon emissions within transport generally and with more positive price spreads benefitting CNG over diesel. Such upswings are anticipated in the second half of 2018. The Board is excited about Agility's increased presence within hydrogen and battery hybrid technologies as complementary fueling alternatives for the future.

The Hexagon Ragasco business segment has had a strong start to the year. The company will continue to invest in capturing market opportunities globally and continue to gain market share from steel cylinders. The order book for first half of 2018 is strong, and attractive prospects are being pursued for the second half of the year.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. For further information please refer to the section "Forward -Looking Statements" at the end of this report.

Oslo, 8 May 2018

The Board of Directors of Hexagon Composites ASA

# FINANCIAL STATEMENTS GROUP

<b>INCOME STATEMENT</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.12.2017</b>
(NOK 1 000)	Unaudited	Unaudited	Audited
Sales revenue	416 260	346 212	1 407 939
Other operating income	0	0	21 458
<b>Total operating income</b>	<b>416 260</b>	<b>346 212</b>	<b>1 429 397</b>
Cost of materials	194 887	157 287	646 062
Payroll and social security expenses	90 927	91 663	345 449
Other operating expenses	63 929	62 193	263 863
<b>Total operating expenses before depreciation</b>	<b>349 743</b>	<b>311 143</b>	<b>1 255 374</b>
<b>Operating profit before depreciation (EBITDA)</b>	<b>66 516</b>	<b>35 070</b>	<b>174 022</b>
Depreciation and impairment	19 204	18 423	74 731
<b>Operating profit (EBIT)</b>	<b>47 312</b>	<b>16 647</b>	<b>99 291</b>
Profit/loss from investments in associates and joint ventures	-4 099	-4 717	-16 667
Other financial items (net)	-11 919	-5 662	-34 397
<b>Profit/loss before tax</b>	<b>31 294</b>	<b>6 268</b>	<b>48 227</b>
Tax	-8 229	979	21 245
<b>Profit/loss after tax</b>	<b>23 065</b>	<b>7 246</b>	<b>69 472</b>
Earnings per share	0.14	0.04	0.42
Diluted earnings per share	0.15	0.05	0.47

<b>COMPREHENSIVE INCOME STATEMENT</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.12.2017</b>
(NOK 1 000)			
Profit/loss after tax	23 065	7 246	69 472
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Exchange differences arising from the translation of foreign operations	-39 480	-1 680	-18 120
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>-39 480</b>	<b>-1 680</b>	<b>-18 120</b>
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Actuarial gains/losses for the period	0	0	-1 351
Income tax effect of actuarial gains/losses for the period	0	0	324
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>0</b>	<b>0</b>	<b>-1 027</b>
<b>Total comprehensive income, net of tax</b>	<b>-16 415</b>	<b>-5 567</b>	<b>50 325</b>

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.12.2017</b>
(NOK 1 000)	Unaudited	Unaudited	Audited
<b>ASSETS</b>			
Intangible assets	545 803	549 002	558 977
Tangible fixed assets	259 605	254 908	260 550
Investment in associates and joint ventures	869 396	970 795	918 769
Other financial fixed assets	768	2 389	941
<b>Total non-current assets</b>	<b>1 675 572</b>	<b>1 777 094</b>	<b>1 739 237</b>
Inventories	227 051	264 405	242 350
Receivables	249 727	235 004	238 105
Bank deposits, cash and similar	203 811	135 222	171 605
<b>Total current assets</b>	<b>680 590</b>	<b>634 631</b>	<b>652 061</b>
<b>Total assets</b>	<b>2 356 162</b>	<b>2 411 725</b>	<b>2 391 298</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	763 452	752 388	761 073
Other equity	639 639	592 465	651 368
<b>Total equity</b>	<b>1 403 090</b>	<b>1 344 854</b>	<b>1 412 441</b>
Interest-bearing long-term liabilities	359 997	432 828	367 403
Other non-current liabilities	215 000	300 036	224 404
<b>Total non-current liabilities</b>	<b>574 997</b>	<b>732 864</b>	<b>591 807</b>
Interest-bearing current liabilities	18 617	14 157	19 494
Other current liabilities	359 458	319 850	367 556
<b>Total current liabilities</b>	<b>378 075</b>	<b>334 007</b>	<b>387 050</b>
<b>Total liabilities</b>	<b>953 072</b>	<b>1 066 871</b>	<b>978 857</b>
<b>Total equity and liabilities</b>	<b>2 356 162</b>	<b>2 411 725</b>	<b>2 391 298</b>

<b>CONDENSED CASH FLOW STATEMENT</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.12.2017</b>
(NOK 1 000)			
Profit before tax	31 294	6 268	48 227
Depreciation and write-downs	19 204	18 423	74 731
Change in net working capital	12 184	-88 077	-32 525
<b>Net cash flow from operations</b>	<b>62 683</b>	<b>-63 386</b>	<b>90 434</b>
Net cash flow from investment activities	-21 638	-8 364	-26 479
Net cash flow from financing activities	-4 623	-997	-99 407
<b>Net change in cash and cash equivalents</b>	<b>36 421</b>	<b>-72 747</b>	<b>-35 453</b>
Net currency exchange differences	-4 215	-104	-1 016
Cash and cash equivalents at start of period	171 605	208 073	208 073
<b>Cash and cash equivalents at end of period</b>	<b>203 811</b>	<b>135 222</b>	<b>171 605</b>
Available unused credit facility	643 235	587 427	635 909

CONDENSED STATEMENT OF CHANGES IN EQUITY	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	OTHER PAID IN CAPITAL	TRANSLATION DIFFERENCES	OTHER EQUITY	TOTAL
(NOK 1 000)							
<b>Balance 01.01.2017</b>	<b>16 663</b>	<b>-117</b>	<b>727 639</b>	<b>6 752</b>	<b>105 967</b>	<b>476 266</b>	<b>1 333 170</b>
Profit/loss after tax						7 246	7 246
Other income and expenses					-1 680		-1 680
Share-based payment				1 451		4 666	6 117
<b>Balance 31.03.2017</b>	<b>16 663</b>	<b>-117</b>	<b>727 639</b>	<b>8 203</b>	<b>104 287</b>	<b>488 178</b>	<b>1 344 854</b>
<b>Balance 01.01.2017</b>							
<b>Balance 01.01.2017</b>	<b>16 663</b>	<b>-117</b>	<b>727 639</b>	<b>6 752</b>	<b>105 967</b>	<b>476 266</b>	<b>1 333 170</b>
Profit/loss after tax						69 472	69 472
Other income and expenses					-18 120	-1 027	-19 147
Share-based payment				10 136		18 811	28 947
<b>Balance 31.12.2017</b>	<b>16 663</b>	<b>-117</b>	<b>727 639</b>	<b>16 888</b>	<b>87 847</b>	<b>563 521</b>	<b>1 412 441</b>

#### EFFECT OF IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Implementation of IFRS 15						2 204	2 204
<b>Balance 01.01.2018</b>	<b>16 663</b>	<b>-117</b>	<b>727 639</b>	<b>16 888</b>	<b>87 847</b>	<b>565 725</b>	<b>1 414 645</b>
Profit/loss after tax						23 065	23 065
Other income and expenses					-39 480	0	-39 480
Share-based payment				2 379		2 481	4 860
<b>Balance 31.03.2018</b>	<b>16 663</b>	<b>-117</b>	<b>727 639</b>	<b>19 266</b>	<b>48 367</b>	<b>591 271</b>	<b>1 403 090</b>

#### BUSINESS SEGMENT DATA

	31.03.2018	31.03.2017	31.12.2017
(NOK 1 000)	Unaudited	Proforma	Proforma
<b>HEXAGON HYDROGEN &amp; LIGHT DUTY VEHICLES</b>			
Sales of goods external customers	63 115	51 705	292 692
Sales of services and funded development	12 930	4 166	34 636
Internal transactions	7 491	10 667	20 304
<b>Total operating income</b>	<b>83 537</b>	<b>66 538</b>	<b>347 632</b>
Segment operating profit before depreciation (EBITDA)	114	-1 503	15 312
Segment operating profit (EBIT)	-6 352	-7 047	-6 975
Segment assets	691 118	701 586	724 739
Segment liabilities	729 333	726 031	757 843
<b>HEXAGON MOBILE PIPELINES &amp; OTHER</b>			
Sales of goods external customers	155 654	104 959	412 006
Sales of services and funded development	2 281	2 392	6 435
Internal transactions	6 158	1 385	11 108
<b>Total operating income</b>	<b>164 093</b>	<b>108 736</b>	<b>429 550</b>
Segment operating profit before depreciation (EBITDA)	20 244	578	14 939
Segment operating profit (EBIT)	16 314	-4 677	-4 180
Segment assets	318 106	299 956	266 599
Segment liabilities	727 534	778 384	701 533
<b>INVESTMENT IN JOINT VENTURES AND ASSOCIATES</b>			
Net booked value investment in Joint Ventures and Associates	869 396	970 795	918 769

<b>BUSINESS SEGMENT DATA</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.12.2017</b>
<b>HEXAGON RAGASCO LPG</b>			
Sales of goods external customers	182 355	170 562	642 747
Sales of services and funded development	585	250	1 037
Internal transactions	1 974	2 335	10 535
<b>Total operating income</b>	<b>184 914</b>	<b>173 147</b>	<b>654 319</b>
Segment operating profit before depreciation (EBITDA)	45 561	40 142	143 964
Segment operating profit (EBIT)	39 517	35 977	125 699
Segment assets	453 861	406 292	456 140
Segment liabilities	327 254	264 058	358 492

# NOTES

## NOTE 1: INTRODUCTION

The condensed consolidated interim financial statements for first quarter 2018, which ended 31 March, comprise Hexagon Composites ASA and its subsidiaries (together referred to as "The Group").

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of The Group for the year which ended 31 December 2017.

For a more detailed description of accounting principles see the consolidated financial statements for 2017.

Hexagon Composites was until 2017 comprised of two business segments: High-Pressure CNG & CHG and Low-Pressure LPG. As a result of the growing market opportunities for renewable fuels solutions, Hexagon has organized its Hydrogen activities and Light-Duty Vehicle activities into a dedicated single business segment. The new segment and reporting structure from first quarter 2018 is:

- Hexagon Hydrogen & Light-Duty Vehicles
- Hexagon Mobile Pipelines & Other
- Hexagon Ragasco LPG

Comparable figures for the new segments are prepared on proforma basis.

The accounting principles used in the preparation of these interim accounts are the same as those applied to the consolidated financial statements for 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### IFRS 15 Revenue

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect of adopting IFRS 15 is, as follows (NOK 1 000):

#### IMPACT ON EQUITY (INCREASE/- DECREASE) AS OF 31 DECEMBER 2017

Provisions	2 900
Deferred tax liabilities	-696
<b>Net impact on equity</b>	<b>2 204</b>

The Group's main revenues come from the sale of its own mass-produced standard products in the different segments:

1. Hexagon Hydrogen & Light-Duty Vehicles
2. Hexagon Mobile Pipelines & Other
3. Hexagon Ragasco LPG

The products are mainly sold in relation to separate identifiable contracts with customers.

For normal sale contracts with customers of cylinders there is only one performance obligation.

The Group has concluded that revenue from such sale should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognized was affected, as noted below.

Some contracts with customers provide trade discounts or volume rebates. Prior to the adoption of the IFRS 15, the Group recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of

allowances, trade discounts and volume rebates. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. Based on analysis of open contracts 31.12.2017, the Group estimated an effect of NOK 2.9 million in increased revenue for 2017 related to variable considerations under IFRS 15. Besides this, the Group did not identify any other changes in revenue recognition.

The Group provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. As such, the Group expects that such warranties are assurance-type warranties which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its current practice.

To some extent the Group provides other services. These services are normally sold on their own as separate performance obligations, and allocation are based on stand-alone selling prices.

The Group has also entered into funded contracts with a limited number of customers for development services. The Group recognizes revenue on development-in-progress as the services are performed. The Group have concluded that these services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, under IFRS 15 the Group would continue to recognize revenue for these service contracts over time.

#### IFRS 9 Financial Instruments: Classification and Measurement

The Group adopted IFRS 9 retrospectively, except for hedge accounting which is implemented prospectively. Comparative figures are not prepared as there is no requirement for this. The Group did not identify any significant impact of implementing IFRS 9, due to the fact that the Group does not use hedge accounting and has no history of significant losses on trade receivables.

These condensed consolidated interim financial statements were approved by the Board of Directors on 8 May 2018.

## NOTE 2: INTEREST-BEARING DEBT

The following shows material changes in interest-bearing debt during 2018:

AMOUNTS IN NOK THOUSAND	LONG-TERM BANK LOAN	LONG-TERM FINANCIAL LEASES AND OTHER	SHORT-TERM FINANCIAL LEASES AND OTHER	TOTAL INTEREST- BEARING DEBT
<b>Balance 01.01.2018</b>	<b>362 535</b>	<b>4 868</b>	<b>19 494</b>	<b>386 897</b>
Unsecured bank loans	-7 224	0	0	-7 224
Financial leases and other loans	0	-181	-877	-1 058
<b>Balance 31.03.2018</b>	<b>355 310</b>	<b>4 687</b>	<b>18 617</b>	<b>378 614</b>

The financing facility is a bilateral facility with DNB Bank. The overall size of the facility at NOK 1 billion, comprising a main revolving credit with overdraft facility of NOK 600 million and an optional ancillary facility of NOK 400 million.

Movements in the quarter were primarily due to foreign exchange translation differences and instalments for the period.

There are no breaches of the financial covenants under the financing facility agreements.

## NOTE 3: ESTIMATES

The preparation of the interim accounts entails the use of valuations, estimates and assumptions that affect the application of the accounting policies and the amounts recognized as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The material assessments underlying the application of the Group's accounting policy and the main sources of uncertainty are the same as for the consolidated accounts for 2017.

**NOTE 4: SHARE-BASED PAYMENTS**

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3 March 2015 Hexagon Composites ASA issued 975,000 call options to senior executives and managers in the Group. The share options give rights to buy shares in Hexagon Composites ASA at NOK 25 per share. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2017, first quarter of 2018 or second quarter of 2018.

1 April 2016 Hexagon Composites ASA issued 925,000 call options to senior executives and managers in the Group at NOK 20 per share. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2018, first quarter of 2019 or second quarter of 2019.

5 April 2017 Hexagon Composites ASA issued 1,450,000 new call options to senior executives and managers in the Group at NOK 27 per share. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2019, first quarter of 2020 or second quarter of 2020.

The fair value of the options was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost associated with the share option scheme were NOK 2.4 million YTD 31 March. The unamortized fair value of all outstanding share options (3 465 000) is estimated to NOK 14.4 million per 31 March 2018.

There are no cash settlement obligations. The Group does not have a past practice of cash settlement for outstanding share options.

**NOTE 5: EVENTS AFTER THE BALANCE SHEET DATE**

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The Annual General Meeting held on 19 April 2018 approved the Board's proposal to distribute a dividend for 2017 of NOK 0.30 per share, totaling NOK 49.6 million. The dividend was paid out on 30 April 2018.

There have not been any other significant events after the balance sheet date.

## KEY FIGURES GROUP

KEY FIGURES GROUP	31.03.2018	31.03.2017	31.12.2017
EBITDA in % of operating income	16.0 %	10.1 %	12.2 %
EBIT in % of operating income	11.4 %	4.8 %	6.9 %
EBITDA (rolling last 4 quarters) / Capital Employed %	11.5 %	21.8 %	9.7 %
EBIT (rolling last 4 quarters) / Capital Employed %	7.3 %	17.5 %	5.5 %
Net working capital / Operating income (rolling last 4 quarters) %	19.1 %	22.4 %	18.5 %
Interest coverage I <sup>1)</sup>	21.0	3.1	6.4
Interest coverage II <sup>2)</sup>	27.3	47.5	19.4
NIBD / EBITDA (rolling last 4 quarters)	0.9	0.8	1.2
Equity ratio	59.5 %	55.8 %	59.1 %
Equity / Capital employed	78.7 %	75.1 %	78.5 %
Return on equity (annualised)	6.6 %	2.2 %	5.1 %
Total return (annualised)	5.5 %	1.5 %	2.4 %
Liquidity ratio I	1.8	1.9	1.7
Liquidity reserve <sup>3)</sup>	847 046	722 649	807 514
Liquidity reserve <sup>3)</sup> / Operating income (rolling last 4 quarters) %	56.5 %	56.7 %	56.5 %
Earnings per share	0.14	0.04	0.42
Diluted earnings per share	0.15	0.05	0.47
Cash flow from operations per share	0.38	-0.42	0.55
Equity per share	8.42	8.07	8.48

1) (Profit before tax + interest expenses) / Interest expenses.

2) Rolling Earnings Before Interest, Tax, Depreciation and Amortization the last 12 months to rolling Net Interest Costs

3) Undrawn overdraft facility + bank deposits and cash. Use of undrawn overdraft facility can be limited by financial covenants

## KEY FIGURES SEGMENTS

KEY FIGURES SEGMENTS	31.03.2018	31.03.2017	31.12.2017
<b>HEXAGON HYDROGEN &amp; LIGHT DUTY VEHICLES</b>			
EBITDA in % of operating income	0.1 %	-2.3 %	4.4 %
EBIT in % of operating income	-7.6 %	-10.6 %	-2.0 %
<b>HEXAGON MOBILE PIPELINES &amp; OTHER</b>			
EBITDA in % of operating income	12.3 %	0.5 %	3.5 %
EBIT in % of operating income	9.9 %	-4.3 %	-1.0 %
<b>HEXAGON RAGASCO LPG</b>			
EBITDA in % of operating income	24.6 %	23.2 %	22.0 %
EBIT in % of operating income	21.4 %	20.8 %	19.2 %

## SHAREHOLDER INFORMATION

A total of 3,971,274 (5,016,520) shares in Hexagon Composites ASA (HEX.OL) were traded on Oslo Børs (OSE) during first quarter 2018. The total number of shares in Hexagon Composites ASA at 31 March 2018 was 166,627,868 (par value NOK 0.10). During the quarter, the share price moved between NOK 21.80 and NOK 27.40, ending the quarter on NOK 22.60. The price at 31 March gives a market capitalization of NOK 3,765.8 million for the Company.

<b>20 LARGEST SHAREHOLDERS PER 8 MAY 2018</b>	<b>NUMBER OF SHARES</b>	<b>SHARE OF 20 LARGEST</b>	<b>SHARE OF TOTAL</b>	<b>TYPE</b>	<b>COUNTRY</b>
Mitsui & Co., Ltd	41 666 321	30.90 %	25.01 %	Ordinary	JPN
Flakk Composites AS	29 002 667	21.51 %	17.41 %	Ordinary	NOR
MP Pensjon PK	13 212 075	9.80 %	7.93 %	Ordinary	NOR
Bøckmann Holding AS	9 000 000	6.67 %	5.40 %	Ordinary	NOR
Odin Norge	7 438 064	5.52 %	4.46 %	Ordinary	NOR
Nødingen AS	6 000 000	4.45 %	3.60 %	Ordinary	NOR
JPMorgan Chase Bank, N.A., London, Nordea Treaty Account	4 987 384	3.70 %	2.99 %	Nominee	GBR
JP Morgan Chase Bank, S/A Escrow Account	4 281 410	3.17 %	2.57 %	Nominee	GBR
Skandinaviska Enskilda Banken AB	3 658 498	2.71 %	2.20 %	Ordinary	SWE
Storebrand Norge JP Morgan Europe Ltd.	2 820 732	2.09 %	1.69 %	Ordinary	NOR
Société Générale Bny Mellon SA/NV	2 211 594	1.64 %	1.33 %	Ordinary	FRA
The Bank of New York c/o BNYMSANV RE BNYM	1 792 361	1.33 %	1.08 %	Nominee	BEL
TR European Growth HSBC Bank Plc	1 397 747	1.04 %	0.84 %	Ordinary	GBR
Flakk Invest AS	1 200 000	0.89 %	0.72 %	Ordinary	NOR
Hexagon Composites ASA	1 166 075	0.86 %	0.70 %	Ordinary	NOR
VPF Nordea Kapital c/o JP Morgan Europe Ltd.	1 069 924	0.79 %	0.64 %	Ordinary	NOR
Eika Norge	1 045 016	0.77 %	0.63 %	Ordinary	NOR
Eika Spar	1 032 838	0.77 %	0.62 %	Ordinary	NOR
State Street Bank	989 459	0.73 %	0.59 %	Nominee	USA
VPF Nordea Avkastning	886 111	0.66 %	0.53 %	Nominee	GBR
<b>Total 20 largest shareholders</b>	<b>134 858 276</b>	<b>100.00 %</b>	<b>80.93 %</b>		
Remaining	31 769 592		19.07 %		
<b>Total</b>	<b>166 627 868</b>		<b>100.00 %</b>		

## FORWARD LOOKING STATEMENTS

This quarterly report (the "Report") has been prepared by Hexagon Composites ASA ("Hexagon" or the "Company"). The Report has not been reviewed or registered with, or approved by, any public authority, stock exchange or regulated market place. The Company makes no representation or warranty (whether express or implied) as to the correctness or completeness of the information contained herein, and neither the Company nor any of its subsidiaries, directors, employees or advisors assume any liability connected to the Report and/or the statements set out herein. This Report is not and does not purport to be complete in any way. The information included in this Report may contain certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. None of the Company or its advisors or any of their parent or subsidiary undertakings or any such person's affiliates, officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this Report or the actual occurrence of the forecasted developments. The Company and its advisors assume no obligation to update any forward-looking statements or to conform these forward-looking statements to the Company's actual results. Investors are advised, however, to inform themselves about any further public disclosures made by the Company, such as filings made with the Oslo Stock Exchange or press releases. This Report has been prepared for information purposes only. This Report does not constitute any solicitation for any offer to purchase or subscribe any securities and is not an offer or invitation to sell or issue securities for sale in any jurisdiction, including the United States. Distribution of the Report in or into any jurisdiction where such distribution may be unlawful, is prohibited. This Report speaks as of 8 May 2018, and there may have been changes in matters which affect the Company subsequent to the date of this Report. Neither the issue nor delivery of this Report shall under any circumstance create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Company have not since changed, and the Company does not intend, and does not assume any obligation, to update or correct any information included in this Report. This Report is subject to Norwegian law, and any dispute arising in respect of this Report is subject to the exclusive jurisdiction of Norwegian courts with Oslo City Court as exclusive venue. By receiving this Report, you accept to be bound by the terms above.



## HYDROGEN & LIGHT-DUTY VEHICLES



CNG Light-Duty Vehicles



Fuel Cell Electric Vehicles



Transit Buses



Heavy-Duty Trucks



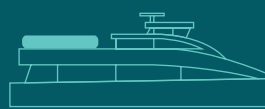
Distribution



Ground storage



Backup power



Marine

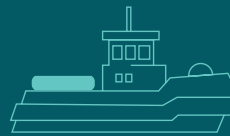


Rail

## MOBILE PIPELINES



Distribution



Marine

## LPG

Leisure activities, household and industrial applications



## OTHER



Hexagon MasterWorks

## AGILITY FUEL SOLUTIONS



Heavy-Duty Trucks



Transit Buses