HEXAGON

Q2

2018 SECOND QUARTER AND
HALF YEAR INTERIM REPORT

SECOND QUARTER 2018 REPORT

NOK 1 000 EXCEPT PER SHARE DATA	30.06.2018	30.06.2017	PERCENT CHANGE	Q2 2018	Q2 2017	PERCENT CHANGE
GROUP RESULTS						
Revenue	783.0	718.2	9%	366.8	372.0	-1%
Operating profit before depreciation (EBITDA)	140.1	82.9	69%	73.6	47.8	54%
Operating profit (EBIT)	101.6	45.8	122%	54.3	29.1	86%
Profit before tax	100.3	24.2	314%	69.0	18.0	284%
Profit after tax	85.7	22.3	284%	62.6	15.1	315%
SEGMENT RESULTS						
HEXAGON HYDROGEN & LIGHT-DUTY VEHICLES						
Revenue	150.1	166.1	-10%	66.6	99.6	-33%
EBITDA	-21.3	0.9	-2 553%	-21.4	2.4	-1 002%
EBIT	-34.2	-10.4	-230%	-27.9	-3.3	-737%
HEXAGON MOBILE PIPELINES & OTHER						
Revenue	284.9	197.3	44%	120.8	88.6	36%
EBITDA	24.3	-1.4	1 804%	4.0	-2.0	301%
EBIT	16.3	-11.8	239%	0.0	-7.1	100%
HEXAGON RAGASCO LPG						
Revenue	376.0	365.5	3%	191.1	192.3	-1%
EBITDA	98.1	91.3	7%	52.5	51.1	3%
EBIT	86.0	82.7	4%	46.4	46.7	-1%

* 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 second quarter 2018 Hexagon Composites generated NOK 366.8 (372.0) million in revenue and made an operating profit before depreciation (EBITDA) of NOK 73.6 (47.8) million. Operating profit (EBIT) was NOK 54.3 (29.1) million and profit/loss before tax came to NOK 69.0 (18.0) million.

Operating results in the second quarter were impacted positively by continued strong sales volumes within Hexagon Ragasco LPG and improved volumes within Hexagon Mobile Pipelines compared to same quarter last year. The EBITDA for the quarter includes a positive impact of NOK 40 million relating to a reduction in a long-term provision. This is partly offset by the dilutive impact of activities in the early growth-phase of the Hydrogen business unit, totaling NOK 20 million.

The first half year of 2018 provided a revenue of NOK 783.0 (718.2) million and produced an operating profit before depreciation (EBITDA) of NOK 140.1 (82.9) million. The operating profit (EBIT) was NOK 101.6 (45.8) million and profit before tax was NOK 100.3 (24.2) million.

Key developments

- Selected by a leading OEM to supply hydrogen tanks for serial production of fuel cell electric vehicles (FCEV). Combined value for development and serial production in the range of MUSD 120-150 (approx. NOK 1.0-1.2 billion)
- Launched TITAN®53 gas transport module, with the largest composite cylinder tanks in the world.

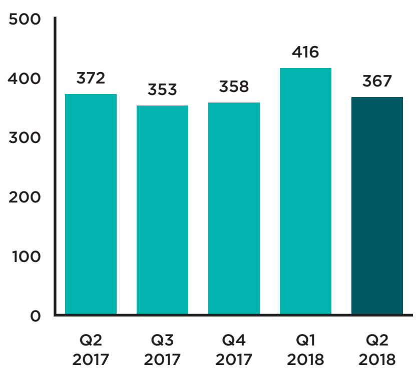
After balance sheet date

- Received the first TITAN®53 order from XNG with a total value of MUSD 10.6 (approx. MNOK 86).

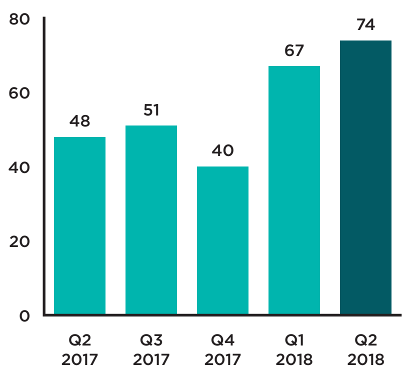
Other important events in the half-year reported previously

- Joined the Hydrogen Council http://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
- 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.

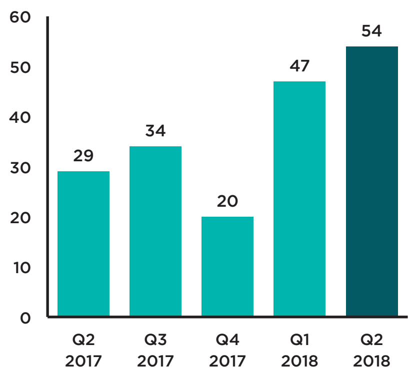
OPERATING INCOME
MNOK



EBITDA
MNOK



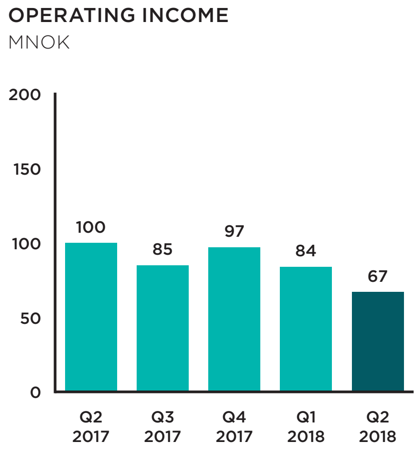
EBIT
MNOK

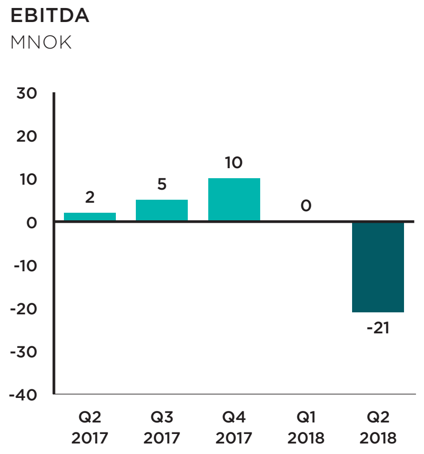


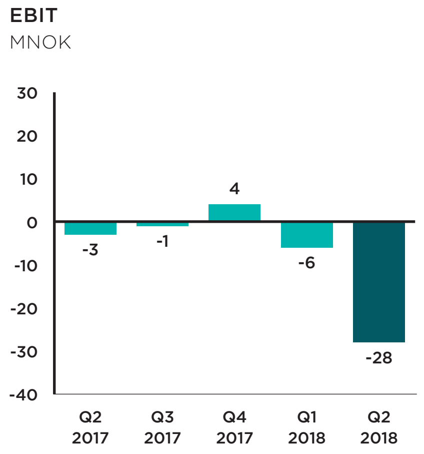
SEGMENT RESULTS

HEXAGON 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.







Revenue for the segment was NOK 66.6 (99.6) million in the second quarter of 2018.

The Hydrogen business generated NOK 14.3 (37.4) million of revenue in the second quarter. Revenues in the second quarter 2017 were particularly strong within transport and distribution. In 2018, the business is focused on three key OEM Fuel Cell Electric Vehicles (FCEV) development contracts. Revenues attributable to these contracts follow development milestones until start of serial production.

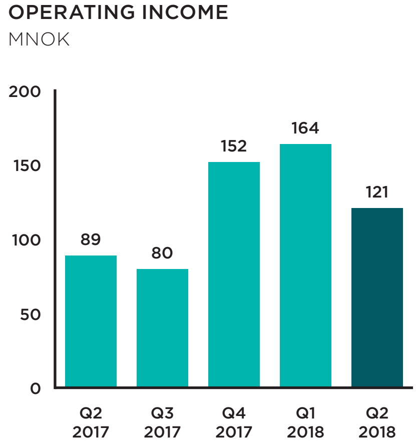
We are seeing growing interest also in the Heavy-Duty Truck and Transit Bus sector. A number of such development projects have been ongoing in the quarter.

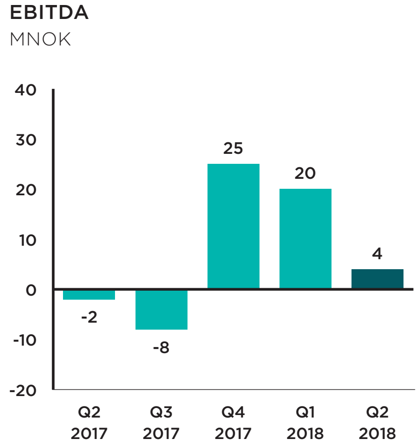
The CNG Light-Duty Vehicle (LDV) business has had a steady quarter, generating revenues of NOK 52.3 (62.2) million. The sentiment for Light-Duty Vehicles in Europe is strong and contributes to an increasing demand for the Company's lightweight composite cylinders. This has been aided by positive tax and regulatory legislation that favor lower carbon fuel alternatives. Major players are ramping up for strong growth within this segment.

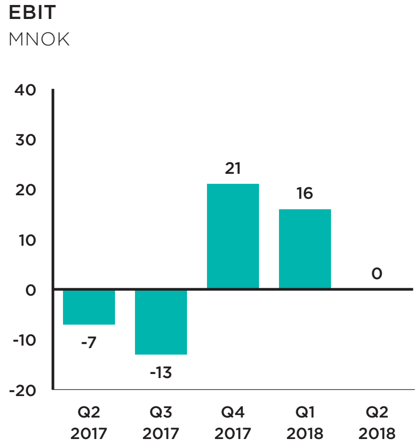
EBIT in the second quarter for the entire segment was NOK -27.9 (-3.3) million. The operating loss attributable to the Hydrogen business, which is in its early growth phase and expected to be dilutive, was NOK -22.3 million for the quarter. EBIT for the first half-year of 2018 was NOK -34.2 (-10.4) million.

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.







Revenue for the segment increased by 36% to NOK 120.8 (88.6) million in the second quarter of 2018 compared with the same period in 2017.

Mobile Pipelines sales volumes for the quarter were solid, though sales remain weak in the rest of the world. Improving macro conditions, particularly in the U.S. oil and gas sector, continue to drive demand in 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 a costly and inflexible pipeline network. Customers continue to develop new applications for Hexagon's products that displace oil-based fuels with cleaner burning natural gas.

During the quarter, Hexagon launched TITAN®53 gas transport module, with the largest composite cylinder tanks in the world. The newly developed cylinders and module optimize weight and capacity to meet the road limit in most of the United States.

On 14 August 2018, Hexagon was awarded the first TITAN® 53 order from Xpress Natural Gas LLC (XNG) a leading full-service provider of CNG Mobile Pipeline®, with a total value of USD 10.6 million (approx. NOK 86 million). The large-capacity Mobile Pipeline® modules will serve virtual interconnect projects in the U.S., connecting communities and facilities to the gas grid.

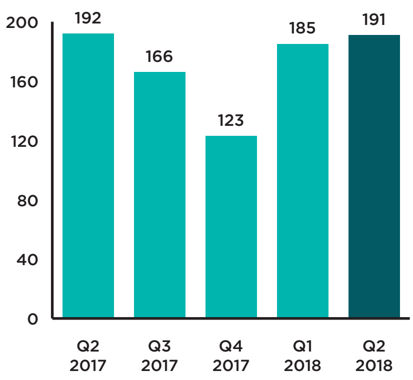
The Hexagon MasterWorks business unit is currently focused on product portfolio expansion opportunities within aerospace and oil and gas. The unit is also a supplier of key manufacturing equipment. It functions as an incubator business unit focused on lower-volume, specialized engineering, manufacturing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

EBIT in the second quarter for the segment was NOK 0.0 (-7.1) million. EBIT for the first half-year of 2018 was NOK 16.3 (-11.8) million.

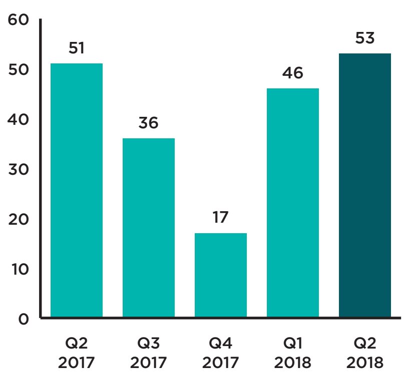
HEXAGON RAGASCO LPG

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

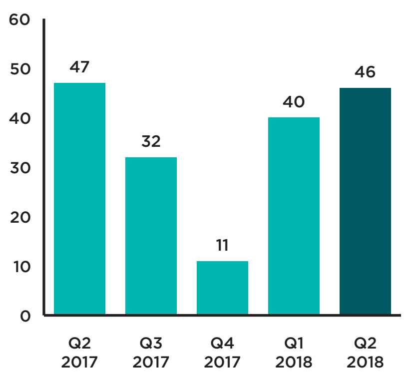
OPERATING INCOME
MNOK



EBITDA
MNOK



EBIT
MNOK



Revenue for the LPG segment was NOK 191.1 (192.3) million in the second quarter of 2018 and comparable to the record level in the same period in 2017. Deliveries were primarily to core markets in Europe and the Middle East.

The continued high volumes are 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 segment has focused on developing the value proposition for LPG marketers and distributors.

The building expansion activities at the production facility at Raufoss, Norway continue to be 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.

Operating profit (EBIT) for the LPG segment was NOK 46.4 (46.7) million in the second quarter. EBIT for the first half-year of 2018 was NOK 86.0 (82.7) 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 second quarter 2018 for Agility, comprising the medium and heavy-duty automotive businesses, improved by 6% versus first quarter 2018, driven by improved Truck sales. This includes sales of vehicles incorporating the new Cummins Westport 12-litre near-zero emission engine which is expected to increase customer demand further. Refuse Truck and Transit Bus volumes continue an upwards trend, while the relatively new Powertrain Systems (propane) business executes its growth plan, with a greater effect coming in the second half of 2018.

The recent rise in oil prices are increasing fuel price spreads between CNG and diesel, which is 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. In addition, Hexagon and Agility are collaborating to offer next-generation hydrogen storage systems based on large-diameter high-pressure composite cylinders for medium- and heavy-duty vehicles.

Agility continues to develop its medium-duty propane powertrain business after securing U.S. Environmental Protection Agency (EPA) approval for its first propane engine suited to school busses 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 38.5 million (approximately NOK 309 million), reported EBITDA was USD 1.9 million (approximately NOK 15 million) and EBITDA adjusted for non-recurring or non-cash items was USD 3.3 million (approximately NOK 26 million). The largest adjusting item is USD 1.2 million (approximately NOK 10 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 for the second quarter was NOK -0.6 million. This includes depreciation of intangibles of NOK -3.3 million. The corresponding realized income for the first half-year is NOK -4.7 million.

THE GROUP

Hexagon Composites Group recorded operating profit before depreciation (EBITDA) of NOK 73.6 (47.8) million and a net profit after tax of NOK 62.6 (15.1) million in the second quarter, after positive foreign exchange effects recorded in other financial items of NOK 18.1 million. The EBITDA for the quarter includes a positive impact of NOK 40 million relating to a reduction in a long-term provision. This is partly offset by the dilutive impact of activities in the early growth-phase of the Hydrogen business unit, totaling NOK 20 million. Underlying contribution to net profit after tax from Agility under the equity method is NOK -0.6 million.

At quarter-end the statement of financial position totaled NOK 2,310.0 (2,482.7) million and the Group's equity ratio was 61.5% (55.1%).

The Group recorded a first half-year profit after tax of NOK 85.7 (22.3) million after positive foreign exchange effects recorded in other financial items of NOK 8 million.

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 distribution, and substantial organizational investments are being made to further develop this position. Such plans are dilutive to short and medium-term profitability, however accretive to long-term shareholder value.

The recently announced sizeable OEM contract won by Hexagon validates the emergence and size of the Hydrogen market. It also confirms the Company's leading position in this area.

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. The delays caused by stringent emissions testing programs on global new passenger car registrations is expected to have impact in the third quarter. However, growth from the fourth quarter and onwards is expected to resume strongly.

Mobile Pipelines sales volumes are expected to continue an upward trend, on an annual basis. New emerging uses for Mobile Pipelines are stimulating demand for the Company's products. The new TITAN®53 product launch is already proving successful with its stronger capacity to weight ratio, further improving Hexagon's competitive position. Tailored financial solutions and after-market services continue to be made available where appropriate.

Stronger volumes in the heavy-duty truck market are expected for the second half of 2018, thereby improving Agility's profitability significantly. The increased focus, especially in the U.S., on lower carbon emissions within transport and more positive price spreads benefitting CNG over diesel are fundamental drivers of demand. A significant recent investment by Total S.A. into the natural gas transport sector showcased a price-parity business model, allowing customers to save on total cost of ownership from the first day of purchase of a new class 8 CNG heavy-duty truck. Such initiatives are expected to accelerate demand in this area.

The Hexagon Ragasco business segment has had a strong first half-year. The company will continue to invest in capturing market opportunities globally and continue to gain market share from steel cylinders. The company is focused on realizing available opportunities 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.

RISKS AND UNCERTANTIES

The Hexagon Composites Group is active in sales and purchasing in many geographies and markets. Export represents a considerable part of the Group's sales. Currency risk is the Group's largest financial risk factor and the Company employs forward currency contracts, in addition to natural hedges, to mitigate the exposure to these risks.

In the Board's view, there are no major changes to the risk composition for the Group compared with that reported for 2017. The Group is by nature exposed to the movements in oil and diesel prices, and how these continue to directly or indirectly impact the business positively or negatively.

For additional information about risks and uncertainties we refer to Hexagon Composites' 2017 annual report. It is not expected that the above exposures and risks will have a material effect on the Group or its financial position in the next reporting period.

STATEMENT FROM THE BOARD AND CEO

To the best of our knowledge, we confirm that:

- the consolidated financial statements for the period 1 January to 30 June 2018, have been prepared in accordance with "IAS 34 Interim Financial Reporting".
- the information provided in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and results for the period viewed in their entirety, and that
- the information presented in the financial statements gives a true and fair view of important events of the period, financial position, material related party transactions and principal risks and uncertainties of the Group for the next quarter.

Oslo, 14 August 2018
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman

Kristine Landmark
Deputy Chair

Sverre Narvesen
Board Member

Katsunori Mori
Board Member

Elisabeth Heggelund Tørstad
Board Member

Susana Quintana-Plaza
Board Member

Jon Erik Engeset
Group President

FINANCIAL STATEMENTS GROUP

INCOME STATEMENT	30.06.2018	Q2 2018	30.06.2017	Q2 2017	31.12.2017
(NOK 1 000)	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Sales revenue	783 027	366 767	718 191	371 979	1 407 939
Other operating revenue	0	0	0	0	21 458
Total operating revenue	**783 027**	**366 767**	**718 191**	**371 979**	**1 429 397**
Cost of materials	357 539	162 652	320 171	162 885	646 062
Payroll and social security expenses	190 160	99 233	180 056	88 393	345 449
Other operating expenses	135 147	71 217	135 066	72 874	263 863
Reversal earn-out	-39 951	-39 951	0	0	0
Total operating expenses before depreciation	**642 895**	**293 152**	**635 293**	**324 151**	**1 255 374**
Operating profit before depreciation (EBITDA)	**140 132**	**73 616**	**82 898**	**47 828**	**174 022**
Depreciation and impairment	38 513	19 309	37 112	18 689	74 731
Operating profit (EBIT)	**101 619**	**54 307**	**45 786**	**29 139**	**99 291**
Profit/loss from investments in associates and joint ventures	-5 602	-1 503	4 647	9 364	-16 667
Other financial items (net)	4 288	16 208	-26 192	-20 530	-34 397
Profit/loss before tax	**100 305**	**69 011**	**24 241**	**17 973**	**48 227**
Tax	-14 640	-6 411	-1 903	-2 882	21 245
Profit/loss after tax	**85 665**	**62 600**	**22 337**	**15 091**	**69 472**
Earnings per share	0.52		0.13		0.42
Diluted earnings per share	0.54		0.16		0.47

COMPREHENSIVE INCOME STATEMENT	30.06.2018	30.06.2017	31.12.2017
(NOK 1 000)			
Profit/loss after tax	85 665	22 337	69 472
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Exchange differences arising from the translation of foreign operations	-9 143	-4 847	-18 120
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**-9 143**	**-4 847**	**-18 120**
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
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**0**	**0**	**-1 027**
Total comprehensive income, net of tax	**76 522**	**17 490**	**50 325**

STATEMENT OF FINANCIAL POSITION	30.06.2018	30.06.2017	31.12.2017
(NOK 1 000)	Unaudited	Unaudited	Audited
ASSETS			
Intangible assets	541 472	567 637	558 977
Tangible fixed assets	269 326	252 855	260 550
Investment in associates and joint ventures	914 792	960 359	918 769
Other financial fixed assets	705	2 011	941
Total non-current assets	**1 726 295**	**1 782 863**	**1 739 237**
Inventories	235 091	264 032	242 350
Receivables	248 673	278 802	238 105
Bank deposits, cash and similar	99 937	156 955	171 605
Total current assets	**583 700**	**699 788**	**652 061**
Total assets	**2 309 995**	**2 482 651**	**2 391 298**
EQUITY AND LIABILITIES			
Paid-in capital	766 068	755 016	761 073
Other equity	655 108	612 340	651 368
Total equity	**1 421 177**	**1 367 356**	**1 412 441**
Interest-bearing long-term liabilities	353 128	445 648	367 403
Other non-current liabilities	174 855	305 862	224 404
Total non-current liabilities	**527 984**	**751 510**	**591 807**
Interest-bearing current liabilities	17 847	14 477	19 494
Other current liabilities	342 988	349 307	367 556
Total current liabilities	**360 835**	**363 785**	**387 050**
Total liabilities	**888 819**	**1 115 295**	**978 857**
Total equity and liabilities	**2 309 995**	**2 482 651**	**2 391 298**

CONDENSED CASH FLOW STATEMENT	30.06.2018	30.06.2017	31.12.2017
(NOK 1 000)			
Profit before tax	100 305	24 241	48 227
Depreciation and write-downs	38 513	37 112	74 731
Change in net working capital	-74 767	-88 310	-32 525
Net cash flow from operations	**64 051**	**-26 957**	**90 434**
Net cash flow from investment activities	-46 620	-14 776	-26 479
Net cash flow from financing activities	-87 261	-8 985	-99 407
Net change in cash and cash equivalents	**-69 829**	**-50 718**	**-35 453**
Net currency exchange differences	-1 839	-400	-1 016
Cash and cash equivalents at start of period	171 605	208 073	208 073
Cash and cash equivalents at end of period	**99 937**	**156 955**	**171 605**
Available unused credit facility	648 075	569 292	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)							
Balance 01.01.2017	**16 663**	**-117**	**727 639**	**6 752**	**105 967**	**476 266**	**1 333 170**
Profit/loss after tax						22 337	22 337
Other income and expenses					-4 847		-4 847
Share-based payment				4 079		12 617	16 696
Balance 30.06.2017	**16 663**	**-117**	**727 639**	**10 831**	**101 120**	**511 220**	**1 367 356**
Balance 01.01.2017	**16 663**	**-117**	**727 639**	**6 752**	**105 967**	**476 266**	**1 333 170**
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
Balance 31.12.2017	**16 663**	**-117**	**727 639**	**16 888**	**87 847**	**563 521**	**1 412 441**
EFFECT OF IMPLEMENTATION OF NEW ACCOUNTING STANDARDS							
Implementation of IFRS 15						2 204	2 204
Balance 01.01.2018	**16 663**	**-117**	**727 639**	**16 888**	**87 847**	**565 725**	**1 414 645**
Profit/loss after tax						85 665	85 665
Other income and expenses					-9 143		-9 143
Dividends						-49 639	-49 639
Share-based payment				5 115		5 209	10 324
Movement in own shares etc.		-120				-30 556	-30 676
Balance 30.06.2018	**16 663**	**-237**	**727 639**	**22 003**	**78 704**	**576 405**	**1 421 177**

BUSINESS SEGMENT DATA	30.06.2018	Q2 2018	30.06.2017	Q2 2017	31.12.2017
(NOK 1 000)	Unaudited	Unaudited	Proforma	Proforma	Proforma
HEXAGON HYDROGEN & LIGHT DUTY VEHICLES					
Sales of goods external customers	116 086	52 971	145 912	94 207	292 692
Sales of services and funded development	22 299	9 369	9 335	5 169	34 636
Internal transactions	11 742	4 251	10 895	228	20 304
Total operating revenue	**150 127**	**66 590**	**166 142**	**99 604**	**347 632**
Segment operating profit before depreciation (EBITDA)	-21 258	-21 372	867	2 369	15 312
Segment operating profit (EBIT)	-34 226	-27 874	-10 379	-3 332	-6 975
Segment assets	683 921		721 014		709 755
Segment liabilities	706 956		753 915		742 750
HEXAGON MOBILE PIPELINES & OTHER					
Sales of goods external customers	263 211	107 557	188 165	83 206	412 006
Sales of services and funded development	10 248	7 967	3 950	1 558	6 435
Internal transactions	11 455	5 297	5 224	3 839	11 108
Total operating revenue	**284 914**	**120 821**	**197 340**	**88 603**	**429 550**
Segment operating profit before depreciation (EBITDA)	24 258	4 013	-1 424	-2 002	14 939
Segment operating profit (EBIT)	16 326	12	-11 772	-7 095	-4 180
Segment assets	245 369		316 595		281 584
Segment liabilities	682 546		789 161		716 626
INVESTMENT IN JOINT VENTURES AND ASSOCIATES					
Net booked value investment in Joint Ventures and Associates	914 792		960 359		918 769

BUSINESS SEGMENT DATA	30.06.2018	Q2 2018	30.06.2017	Q2 2017	31.12.2017
(NOK 1 000)	Unaudited	Unaudited	Unaudited	Unaudited	Audited
HEXAGON RAGASCO LPG					
Sales of goods external customers	370 892	188 537	359 799	189 237	642 747
Sales of services and funded development	1 101	516	511	261	1 037
Internal transactions	4 027	2 054	5 178	2 842	10 535
Total operating revenue	**376 020**	**191 106**	**365 488**	**192 341**	**654 319**
Segment operating profit before depreciation (EBITDA)	98 065	52 504	91 263	51 120	143 964
Segment operating profit (EBIT)	85 950	46 433	82 684	46 708	125 699
Segment assets	447 848		472 831		456 140
Segment liabilities	280 395		296 341		358 492

NOTES

NOTE 1: INTRODUCTION

The condensed consolidated interim financial statements for 1st half-year 2018, which ended 30 June 2018, 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
Net impact on equity	**2 204**

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 14 August 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
Balance 01.01.2018	**362 535**	**4 868**	**19 494**	**386 897**
Unsecured bank loans	-7 224	0	0	-7 224
Financial leases and other loans	0	-181	-877	-1 058
Balance 31.03.2018	**355 310**	**4 687**	**18 617**	**378 614**
Unsecured bank loans	-4 738	0	0	-4 738
Financial leases and other loans	0	-2 130	-770	-2 901
Balance 30.06.2018	**350 572**	**2 556**	**17 847**	**370 975**

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

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 following the official announcement of the financial results for the second quarter of 2018. The exercise period is extended to 14 December 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 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.

22 May 2018 Hexagon Composites ASA issued 1,200,000 call options to senior executives and managers in the Group at NOK 20,85 per share, provided that the share price on the date of exercise is minimum NOK 25.36 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 2020, first quarter of 2021 or second quarter of 2021.

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 5.1 million YTD 30 June. The cost in the second quarter were NOK 2.7 million. The fair value of all outstanding share options (4 665) is estimated to NOK 19.8 million per 30 June 2018.

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

NOTE 5: EARN-OUT

In relation to the purchase of Hexagon xperion GmbH in 2016 an earn-out payment provision was recognized contingent to future revenue developments through 2017 and 2018. This contingent consideration was valued at fair value at the acquisition date as part of the business combination. The value of the earn-out was estimated to EUR 11.5 million or NOK 111.4 as at 31.03.2018 (NOK 113.2 million as at 31.12.2017) based on 100% achievement. Developments in 2018 have prompted revisions to the estimate, and the provision has been reduced to EUR 7.3 million or NOK 69.3 million as at 30.06.2018. The reversed amount is shown in a separate line in the profit and loss statement.

NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE

On 14 August 2018, Hexagon was awarded the first TITAN®53 order from Xpress Natural Gas LLC (XNG) a leading full-service provider of CNG Mobile Pipeline®, with a total value of USD 10.6 million (approx. NOK 86 million). The large-capacity Mobile Pipeline® modules will serve virtual interconnect projects in the U.S., connecting communities and facilities to the gas grid.

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

KEY FIGURES GROUP

KEY FIGURES GROUP	30.06.2018	30.06.2017	31.12.2017
EBITDA in % of operating income	17.9 %	11.5 %	12.2 %
EBIT in % of operating income	13.0 %	6.4 %	6.9 %
EBITDA (rolling last 4 quarters) / Capital Employed %	12.9 %	22.0 %	9.7 %
EBIT (rolling last 4 quarters) / Capital Employed %	8.7 %	17.6 %	5.5 %
Net working capital / Operating income (rolling last 4 quarters) %	19.5 %	23.8 %	18.5 %
Interest coverage I [1)]	27.3	5.0	6.4
Interest coverage II [2)]	34.5	40.1	19.4
NIBD / EBITDA (rolling last 4 quarters)	1.2	0.8	1.2
Equity ratio	61.5 %	55.1 %	59.1 %
Equity / Capital employed	79.3 %	74.7 %	78.5 %
Return on equity (annualised)	12.1 %	3.3 %	5.1 %
Total return (annualised)	8.9 %	2.5 %	2.4 %
Liquidity ratio I	1.6	1.9	1.7
Liquidity reserve [3)]	748 012	726 247	807 514
Liquidity reserve [3)] / Operating income (rolling last 4 quarters) %	50.1 %	54.5 %	56.5 %
Earnings per share	0.52	0.13	0.42
Diluted earnings per share	0.54	0.16	0.47
Cash flow from operations per share	0.39	-0.16	0.55
Equity per share	8.53	8.21	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	30.06.2018	30.06.2017	31.12.2017
HEXAGON HYDROGEN & LIGHT DUTY VEHICLES			
EBITDA in % of operating income	-14.2 %	0.5 %	4.4 %
EBIT in % of operating income	-22.8 %	-6.2 %	-2.0 %
HEXAGON MOBILE PIPELINES & OTHER			
EBITDA in % of operating income	8.5 %	-0.7 %	3.5 %
EBIT in % of operating income	5.7 %	-6.0 %	-1.0 %
HEXAGON RAGASCO LPG			
EBITDA in % of operating income	26.1 %	25.0 %	22.0 %
EBIT in % of operating income	22.9 %	22.6 %	19.2 %

SHAREHOLDER INFORMATION

A total of 10,159,574 (4,350,771) shares in Hexagon Composites ASA (HEX.OL) were traded on Oslo Børs (OSE) during second quarter 2018. The total number of shares in Hexagon Composites ASA at 30 June 2018 was 166,627,868 (par value NOK 0.10). During the quarter, the share price moved between NOK 19.52 and NOK 27.90, ending the quarter on NOK 27.50. The price at 30 June gave a market capitalization of NOK 4,582.3 million for the Company.

20 LARGEST SHAREHOLDERS PER 14 AUGUST 2018	NUMBER OF SHARES	SHARE OF 20 LARGEST	SHARE OF TOTAL	TYPE	COUNTRY
Mitsui & Co., Ltd	41 666 321	30.49 %	25.01 %	Ordinary	JPN
Flakk Composites AS	29 002 667	21.23 %	17.41 %	Ordinary	NOR
MP Pensjon PK	13 037 815	9.54 %	7.82 %	Ordinary	NOR
Bøckmann Holding AS	9 000 000	6.59 %	5.40 %	Ordinary	NOR
Odin Norge	7 438 064	5.44 %	4.46 %	Ordinary	NOR
Nødingen AS	6 000 000	4.39 %	3.60 %	Ordinary	NOR
JPMorgan Chase Bank, N.A., London, Nordea Treaty Account	4 841 350	3.54 %	2.91 %	Nominee	GBR
JP Morgan Chase Bank, S/A Escrow Account	4 732 559	3.46 %	2.84 %	Nominee	GBR
Skandinaviska Enskilda Banken AB	3 660 058	2.68 %	2.20 %	Ordinary	SWE
Storebrand Norge JP Morgan Europe Ltd.	2 827 334	2.07 %	1.70 %	Ordinary	NOR
Hexagon Composites ASA	2 366 075	1.73 %	1.42 %	Ordinary	NOR
Société Générale Paris	2 201 513	1.61 %	1.32 %	Ordinary	FRA
The Bank of New York Mellon SA/NV	1 790 207	1.31 %	1.07 %	Nominee	BEL
Eika Norge	1 382 481	1.01 %	0.83 %	Ordinary	NOR
Eika Spar	1 327 950	0.97 %	0.80 %	Ordinary	NOR
TR European Growth HSBC Bank Plc	1 258 840	0.92 %	0.76 %	Ordinary	GBR
Flakk Invest AS	1 200 000	0.88 %	0.72 %	Ordinary	NOR
VPF Nordea Kapital c/o JP Morgan Europe Ltd.	1 139 924	0.83 %	0.68 %	Ordinary	NOR
VPF Nordea Avkastning c/o JP Morgan Europe Ltd.	911 111	0.67 %	0.55 %	Ordinary	NOR
Mustad Industrier AS	850 000	0.62 %	0.51 %	Ordinary	NOR
Total 20 largest shareholders	**136 634 269**	**100.00 %**	**82.00 %**		
Remaining	29 993 599		18.00 %		
Total	**166 627 868**		**100.00 %**		

FORWARD LOOKING STATEMENTS

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2ND QUARTER AND HALF YEAR INTERIM REPORT 2018

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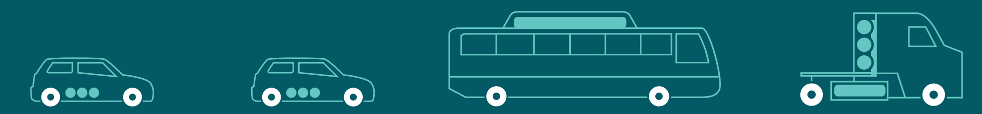
HEXAGON

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

ELLE mELLE
Produced by Artbox AS with XaitPorter
Print: Printbox AS