



HEXAGON

Q3

2018 THIRD QUARTER

THIRD QUARTER 2018 REPORT

NOK 1 000 EXCEPT PER SHARE DATA	Q3 2018	Q3 2017	PERCENT CHANGE	30.09.2018	30.09.2017	PERCENT CHANGE
GROUP RESULTS						
Revenue	276.7	352.8	-22%	1 059.8	1 070.9	-1%
Operating profit before depreciation (EBITDA)	39.2	51.2	-23%	179.4	134.1	34%
Operating profit (EBIT)	19.4	33.8	-43%	121.0	79.6	52%
Profit before tax	25.9	21.8	19%	126.2	46.0	174%
Profit after tax	32.6	16.4	99%	118.2	38.7	206%
SEGMENT RESULTS						
HEXAGON PURUS (HYDROGEN & LIGHT-DUTY VEHICLES)						
Revenue	53.0	84.7	-37%	203.2	250.9	-19%
EBITDA	-28.1	4.6	-707%	-49.4	5.5	-998%
EBIT	-34.9	-0.8	-4172%	-69.1	-11.2	-517%
HEXAGON MOBILE PIPELINES & OTHER						
Revenue	81.5	80.1	2%	366.4	277.4	32%
EBITDA	-3.1	-8.4	63%	21.2	-9.8	317%
EBIT	-7.2	-13.0	45%	9.1	-24.8	137%
HEXAGON RAGASCO LPG						
Revenue	152.2	165.8	-8%	528.2	531.3	-1%
EBITDA	22.1	36.2	-39%	120.2	127.5	-6%
EBIT	15.9	31.6	-50%	101.8	114.3	-11%

* 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 third quarter 2018 Hexagon Composites generated revenues of NOK 276.7 million compared with NOK 352.8 million in the corresponding period last year, which was positively impacted by the sale of certain assets to related party Agility. The operating profit before depreciation and amortization (EBITDA) was NOK 39.2 (51.2) million while operating profit (EBIT) was NOK 19.4 (33.8) million and profit before tax came to NOK 25.9 (21.8) million. EBITDA for the quarter included a positive impact of NOK 50 million triggered by a reduction of the earn-out obligation related to the 2016 xperion acquisition.

This adjustment was related to, and offset the negative impact from, the introduction of the Worldwide Harmonized Light Vehicles Test Procedures (WLTP).

The Hydrogen business segment reported EBITDA of NOK -14.8 million.

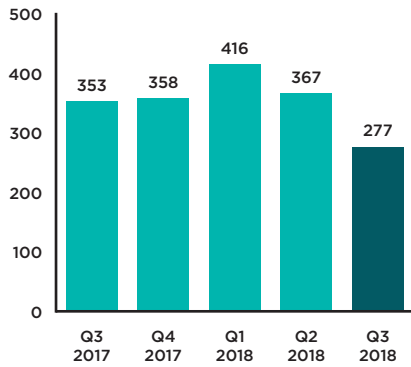
Key developments

- Received the first TITAN® 53 order from XNG with a total value of USD 10.6 million (approx. NOK 86 million)
- Awarded an order for TITAN® modules from Certarus, with a total value of USD 14.6 million (approx. NOK 121 million)
- Hexagon Ragasco celebrated 15 million cylinders sold worldwide
- The new WLTP testing rules caused delays for OEMs

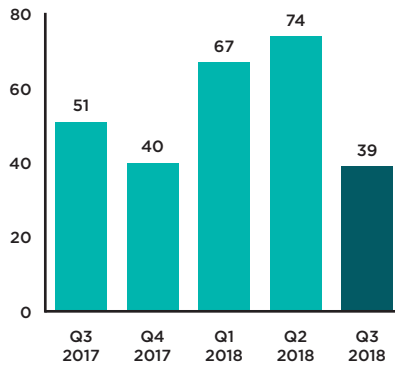
Key developments after balance sheet date

- Selected by a third 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 USD 50 to 70 million (approx. NOK 420 million to NOK 590 million)
- Acquired technology company Digital Wave Corporation, enabling unique, integrated testing capabilities for requalification of pressure cylinders

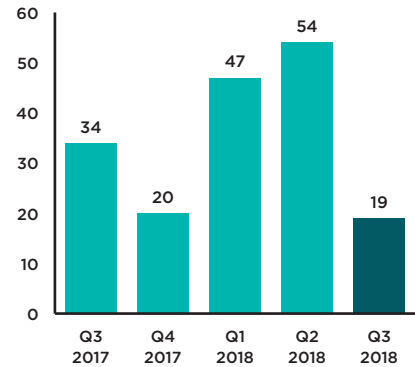
OPERATING INCOME
MNOK



EBITDA
MNOK



EBIT
MNOK

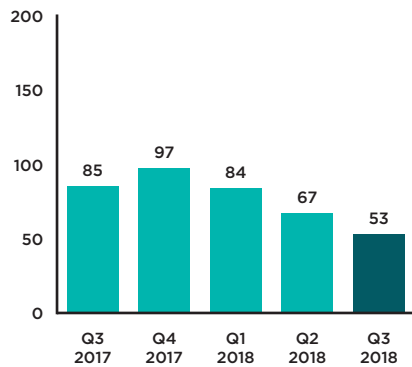


SEGMENT RESULTS

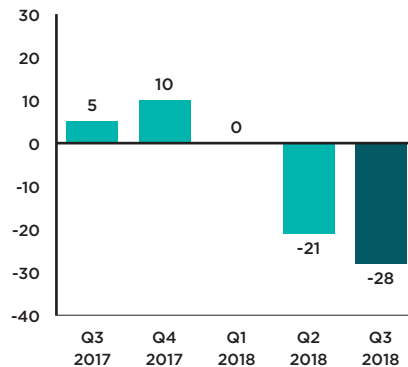
HEXAGON PURUS - HYDROGEN & LIGHT-DUTY VEHICLES

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.

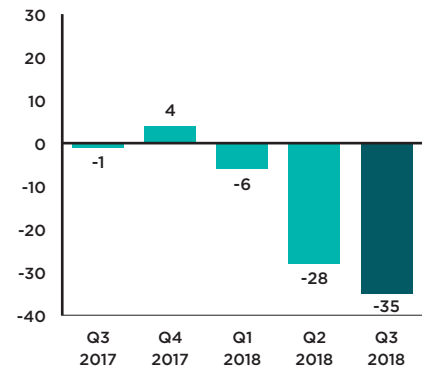
OPERATING INCOME
MNOK



EBITDA
MNOK



EBIT
MNOK



The Hydrogen & Light-Duty Vehicles segment has been renamed Hexagon Purus.

Revenues for the segment amounted to NOK 53.0 (84.7) million in the third quarter of 2018.

The CNG Light-Duty Vehicle (LDV) business generated revenues of NOK 24.1 (54.0) million, severely affected by the implementation of the new Worldwide Harmonized Light Vehicles Test Procedure (WLTP), which took effect 1 September 2018, causing delays in OEMs delivery schedules. The demand for natural gas-powered light-duty vehicles in Europe continues to grow, supported by Volkswagen's strategic marketing of CNG models as well as positive tax and incentive programs that favor lower emission fuel alternatives.

The Hydrogen business generated NOK 28.9 (30.4) million of revenues in the third quarter. Revenues in the quarter were primarily generated from development programs. 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.

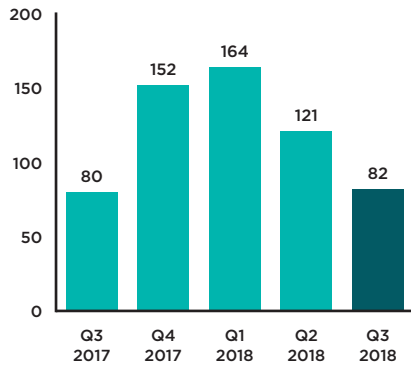
Hexagon sees strong activity in the Hydrogen Heavy-Duty Truck and Transit Bus segments and is involved in a number of ongoing development projects in the sector.

EBIT in the third quarter for the segment was NOK -34.9 (-0.8) million. EBIT attributable to the Hydrogen business was NOK -17.0 million for the quarter.

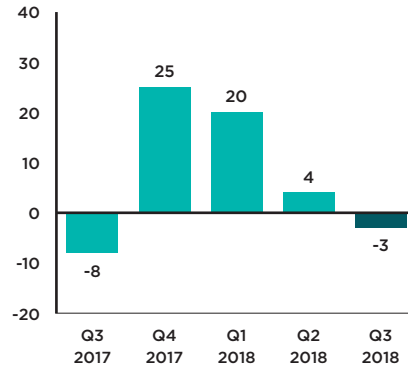
HEXAGON MOBILE PIPELINES & OTHER

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

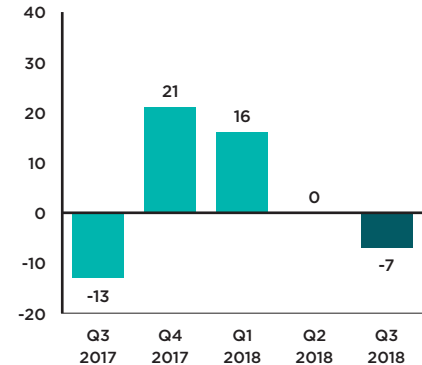
OPERATING INCOME MNOK



EBITDA MNOK



EBIT MNOK



Revenues for the segment amounted to NOK 81.5 (80.1) million in the third quarter of 2018. While deliveries were somewhat soft in the third quarter, order intake for delivery in fourth quarter of 2018 and first quarter of 2019 was high. The overall sentiment remains strong and improving macro conditions, particularly in the U.S. oil and gas sector, continue to drive demand in this business segment.

During the quarter, Hexagon was awarded a large order for the new TITAN® 53 transport modules from Xpress Natural Gas LLC (XNG), with a total value of USD 10.6 million (approx. NOK 86 million). The large-capacity Mobile Pipelines modules will serve virtual interconnect projects in the U.S., connecting communities and facilities to the gas grid. In addition, Hexagon was awarded a substantial order for TITAN® modules from Certarus Ltd. with a total value of USD 14.6 million (approx. NOK 120 million). The Mobile Pipelines modules will support Certarus' expansion into industrial, mining and agricultural power generation in eastern Canada and southwest United States. Simultaneously, Hexagon and Certarus have extended their strategic long-term agreement.

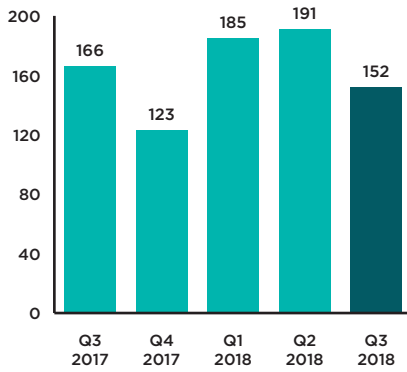
The Hexagon MasterWorks business unit is currently focused on expansion opportunities within aerospace and oil & gas. The unit is also a supplier of key manufacturing equipment. It functions as an incubator business unit focused on lower-volume, specialized engineering, manufacturing and design. The unit generated NOK 10.1 (8.0) million of revenues and an EBITDA of NOK 1.0 (-0.7) million in the third quarter.

The entire segment reported an EBIT of NOK -7.2 (-13.0) million in the third quarter.

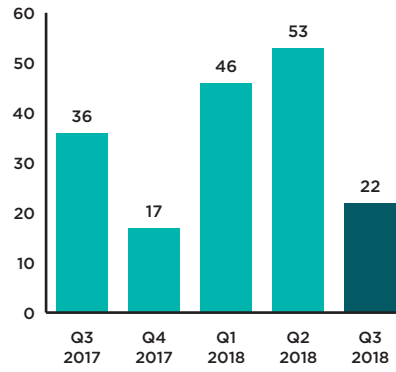
HEXAGON RAGASCO LPG

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

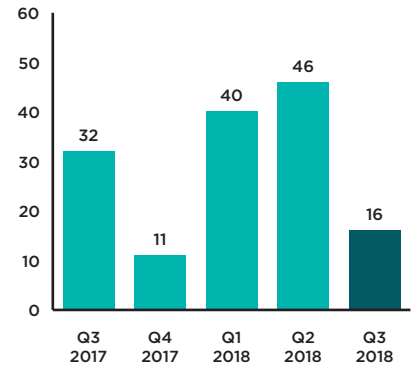
OPERATING INCOME
MNOK



EBITDA
MNOK



EBIT
MNOK



Revenues for the LPG segment were NOK 152.2 (165.8) million in the third quarter of 2018. The reduction was due to complex product mix and production inefficiencies during the quarter.

Cylinders were primarily delivered to the Asian and European markets.

The continued solid 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. Hexagon Ragasco has focused on developing the value proposition for LPG marketers and distributors.

The investment 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 LPG segment was NOK 15.9 (31.6) million in the third quarter.

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.

Agility's revenues for the quarter increased to USD 47.5 (USD 41.0) million, reported EBITDA was USD 4.6 (USD 3.6) million and the EBITDA adjusted for non-recurring or non-cash items was USD 6.3 (USD 4.8) million. The largest adjusting item was USD 1.3 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.

The positive development was driven by the rebound in the truck market. Sales for the third quarter were higher than the first-half of the year. The strong momentum within the transit bus and refuse segments also continued during the quarter.

Increasing fuel price spreads between CNG and diesel are positively impacting Agility's business. When combined with the environmental benefits of CNG versus diesel, the value proposition is strong. 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.

Hexagon recorded its fifty percent share of net profit before tax as income from investments and joint ventures. After IFRS adjustments, realized income for the third quarter amounted to NOK 8.6 (-5.4) million.

THE GROUP

Hexagon recorded operating profit before depreciation (EBITDA) of NOK 39.2 (51.2) million and a net profit after tax of NOK 32.6 (16.4) million. Financial items were NOK 1.6 (6.6) million driven by less foreign exchange fluctuation effects of NOK -0.4 (4.8) million during the quarter.

At quarter-end the statement of financial position totaled NOK 2,408.3 (2,447.9) million and the Group's equity ratio was 60.7% (55.3%).

AFTER BALANCE SHEET DATE

Hexagon has entered into an agreement to acquire 100% of Digital Wave Corporation. The agreed transaction value is USD 7.5 million (around NOK 62 million). The agreed transaction value is USD 7.5 million (around NOK 62 million). The agreement was signed on 26 October with expected closing in the fourth quarter. With this acquisition Hexagon takes control of the unique Modal Acoustic Emissions (MAE) testing process. The technology effectively reduces the operators' down time and cost, while ensuring a safe and highly reliable requalification method.

OUTLOOK

All of Hexagon's business areas are benefitting from the megatrends in the global energy transition towards cleaner and more environmentally friendly fuels.

Substantial organizational investments are being made to further develop Hexagon's Hydrogen position. Such plans are dilutive to short and medium-term profitability, however accretive to long-term shareholder value. The recently announced OEM contract for serial production of hydrogen tanks, the third of its kind, confirms the strong strategic and industrial rationale.

Delays caused by the WLTP testing protocol applicable to new passenger car registrations are easing out, and deliveries have resumed in the fourth quarter with strong growth expected for 2019.

The demand for the Company's Mobile Pipeline products is increasing, driven by growth in conversions from petroleum fuels to natural gas, particularly within energy intensive industries in North America. The new TITAN® 53 product is proving successful with its superior capacity to weight ratio. The Company's recent acquisition of Digital Wave secures fully integrated capabilities for testing and requalification of high-pressure cylinders. This technology has potential to be commercialized for other pressure vessels as well as other applications and structures.

Agility benefits from significantly improved market conditions, with increased focus on lower carbon emissions and cost advantages of natural gas. The adoption of heavy duty natural gas vehicles is expected to increase, driven by favorable payback times. The Transit Bus segment is expected to enjoy growth in North America and particularly in Europe. Also, the Refuse Truck segment is experiencing a positive trend.

Hexagon Ragasco volumes are at a record high level, however with a suboptimal product mix. The company will continue to invest in capturing market opportunities globally and gaining market share from steel cylinders.

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.

FINANCIAL STATEMENTS GROUP

INCOME STATEMENT	30.09.2018	Q3 2018	30.09.2017	Q3 2017	31.12.2017
(NOK 1 000)	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Sales revenue	1 059 767	276 740	1 049 487	331 296	1 407 939
Other operating revenue	0	0	21 458	21 458	21 458
Total operating revenue	1 059 767	276 740	1 070 945	352 754	1 429 397
Cost of materials	503 774	146 235	475 315	155 143	646 062
Payroll and social security expenses	278 671	88 511	258 608	78 552	345 449
Other operating expenses	188 064	52 917	202 902	67 836	263 863
Reversal earn-out	-90 106	-50 155	0	0	0
Total operating expenses before depreciation	880 403	237 508	936 825	301 532	1 255 374
Operating profit before depreciation (EBITDA)	179 364	39 232	134 120	51 222	174 022
Depreciation and impairment	58 370	19 857	54 556	17 444	74 731
Operating profit (EBIT)	120 994	19 375	79 564	33 778	99 291
Profit/loss from investments in associates and joint ventures	2 496	8 098	-784	-5 431	-16 667
Other financial items (net)	2 687	-1 601	-32 771	-6 579	-34 397
Profit/loss before tax	126 178	25 872	46 009	21 768	48 227
Tax	-7 943	6 697	-7 320	-5 416	21 245
Profit/loss after tax	118 235	32 570	38 689	16 352	69 472
Earnings per share	0.72		0.23		0.42
Diluted earnings per share	0.76		0.27		0.47

COMPREHENSIVE INCOME STATEMENT	30.09.2018	30.09.2017	31.12.2017
(NOK 1 000)			
Profit/loss after tax	118 235	38 689	69 472
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Exchange differences arising from the translation of foreign operations	-7 726	-40 303	-18 120
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-7 726	-40 303	-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	110 509	-1 614	50 325

STATEMENT OF FINANCIAL POSITION	30.09.2018	30.09.2017	31.12.2017
(NOK 1 000)	Unaudited	Unaudited	Audited
ASSETS			
Intangible assets	548 093	556 056	558 977
Tangible fixed assets	276 692	239 857	260 550
Investment in associates and joint ventures	925 580	908 538	918 769
Other financial fixed assets	1 758	1 649	941
Total non-current assets	1 752 123	1 706 099	1 739 237
Inventories	300 534	260 169	242 350
Receivables	230 964	247 957	238 105
Bank deposits, cash and similar	124 696	233 703	171 605
Total current assets	656 193	741 829	652 061
Total assets	2 408 316	2 447 928	2 391 298
EQUITY AND LIABILITIES			
Paid-in capital	769 709	757 953	761 073
Other equity	692 017	596 799	651 368
Total equity	1 461 726	1 354 752	1 412 441
Interest-bearing long-term liabilities	447 327	436 768	367 403
Other non-current liabilities	128 305	300 545	224 404
Total non-current liabilities	575 632	737 313	591 807
Interest-bearing current liabilities	2 940	14 090	19 494
Other current liabilities	368 018	341 773	367 556
Total current liabilities	370 958	355 863	387 050
Total liabilities	946 590	1 093 176	978 857
Total equity and liabilities	2 408 316	2 447 928	2 391 298

CONDENSED CASH FLOW STATEMENT	30.09.2018	30.09.2017	31.12.2017
(NOK 1 000)			
Profit before tax	126 178	46 009	48 227
Depreciation and write-downs	58 370	54 556	74 731
Change in net working capital	-150 391	-40 071	-32 525
Net cash flow from operations	34 157	60 494	90 434
Net cash flow from investment activities	-72 032	-15 731	-26 479
Net cash flow from financing activities	-7 137	-15 201	-99 407
Net change in cash and cash equivalents	-45 012	29 562	-35 453
Net currency exchange differences	-1 897	-3 932	-1 016
Cash and cash equivalents at start of period	171 605	208 073	208 073
Cash and cash equivalents at end of period	124 696	233 703	171 605
Available unused credit facility	555 075	576 438	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						38 689	38 689
Other income and expenses					-40 303		-40 303
Share-based payment				7 016		16 180	23 196
Balance 30.09.2017	16 663	-117	727 639	13 767	65 664	531 135	1 354 752
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						118 235	118 235
Other income and expenses					-7 726		-7 726
Dividends						-49 639	-49 639
Share-based payment				8 756		8 131	16 887
Movement in own shares etc.		-120				-30 556	-30 676
Balance 30.09.2018	16 663	-237	727 639	25 644	80 121	611 896	1 461 726

BUSINESS SEGMENT DATA	30.09.2018	Q3 2018	30.09.2017	Q3 2017	31.12.2017
(NOK 1 000)	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
HEXAGON HYDROGEN & LIGHT DUTY VEHICLES					
Sales of goods external customers	158 545	42 459	222 482	76 570	292 692
Sales of services and funded development	31 641	9 342	12 771	3 436	34 636
Internal transactions	12 967	1 225	15 600	4 705	20 304
Total operating revenue	203 153	53 026	250 853	84 711	347 632
Segment operating profit before depreciation (EBITDA)	-49 391	-28 133	5 499	4 633	15 312
Segment operating profit (EBIT)	-69 089	-34 862	-11 195	-816	-6 975
Segment assets	707 913		739 185		709 755
Segment liabilities	712 180		762 000		742 750
HEXAGON MOBILE PIPELINES & OTHER					
Sales of goods external customers	335 725	72 514	264 176	76 011	412 006
Sales of services and funded development	13 306	3 058	5 734	1 784	6 435
Internal transactions	17 409	5 954	7 516	2 292	11 108
Total operating revenue	366 440	81 526	277 426	80 087	429 550
Segment operating profit before depreciation (EBITDA)	21 196	-3 062	-9 779	-8 355	14 939
Segment operating profit (EBIT)	9 115	-7 211	-24 799	-13 026	-4 180
Segment assets	283 384		293 766		281 584
Segment liabilities	739 398		759 463		716 626
	30.09.2018	Q3 2018	30.09.2017	Q3 2017	31.12.2017
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
HEXAGON RAGASCO LPG					
Sales of goods external customers	520 745	149 853	523 008	163 210	642 747
Sales of services and funded development	1 611	511	762	250	1 037
Internal transactions	5 836	1 809	7 496	2 31	10 535
Total operating revenue	528 192	152 172	531 266	165 778	654 319
Segment operating profit before depreciation (EBITDA)	120 200	22 135	127 475	36 212	143 964
Segment operating profit (EBIT)	101 815	15 865	114 287	31 602	125 699
Segment assets	436 962		493 978		456 140
Segment liabilities	258 171		293 516		358 492
INVESTMENT IN JOINT VENTURES AND ASSOCIATES					
Net booked value investment in Joint Ventures and Associates	925 580		908 538		918 769

NOTES

NOTE 1: INTRODUCTION

The condensed consolidated interim financial statements for third quarter 2018, which ended 30 September 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 30 October 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
Unsecured bank loans	93 102	0	0	93 102
Financial leases and other loans	0	1 096	-14 907	-13 811
Balance 30.09.2018	443 674	3 652	2 940	450 266

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 8.4 million YTD 30 September. The cost in the third quarter were NOK 3.3 million. The fair value of all outstanding share options (4 665) is estimated to NOK 17.5 million per 30 September 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 2.1 million or NOK 19.6 million as at 30.09.2018 (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

Hexagon Composites ASA acquired 100% of Digital Wave Corporation. The agreed transaction value of Digital Wave is USD 7.5 million (approx. NOK 61.8 million). The signing of a definitive agreement has taken place on 26 October with expected closing in the fourth quarter. The business will operate as a wholly owned subsidiary of Hexagon.

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

KEY FIGURES GROUP

KEY FIGURES GROUP	30.09.2018	30.09.2017	31.12.2017
EBITDA in % of operating income	16.9 %	12.5 %	12.2 %
EBIT in % of operating income	11.4 %	7.4 %	6.9 %
EBITDA (rolling last 4 quarters) / Capital Employed %	11.5 %	24.8 %	9.7 %
EBIT (rolling last 4 quarters) / Capital Employed %	7.4 %	20.4 %	5.5 %
Net working capital / Operating income (rolling last 4 quarters) %	21.7 %	19.8 %	18.5 %
Interest coverage I ¹⁾	19.9	6.3	6.4
Interest coverage II ²⁾	31.3	37.9	19.4
NIBD / EBITDA (rolling last 4 quarters)	1.5	0.5	1.2
Equity ratio	60.7 %	55.3 %	59.1 %
Equity / Capital employed	76.5 %	75.0 %	78.5 %
Return on equity (annualised)	11.0 %	3.8 %	5.1 %
Total return (annualised)	7.4 %	3.0 %	2.4 %
Liquidity ratio I	1.8	2.1	1.7
Liquidity reserve ³⁾	679 770	810 141	807 514
Liquidity reserve ³⁾ / Operating income (rolling last 4 quarters) %	47.9 %	57.1 %	56.5 %
Earnings per share	0.72	0.23	0.42
Diluted earnings per share	0.76	0.27	0.47
Cash flow from operations per share	0.21	0.37	0.55
Equity per share	8.77	8.13	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	30.09.2018	30.09.2017	31.12.2017
HEXAGON HYDROGEN & LIGHT DUTY VEHICLES			
EBITDA in % of operating income	-24.3 %	2.2 %	4.4 %
EBIT in % of operating income	-34.0 %	-4.5 %	-2.0 %
HEXAGON MOBILE PIPELINES & OTHER			
EBITDA in % of operating income	5.8 %	-3.5 %	3.5 %
EBIT in % of operating income	2.5 %	-8.9 %	-1.0 %
HEXAGON RAGASCO LPG			
EBITDA in % of operating income	22.8 %	24.0 %	22.0 %
EBIT in % of operating income	19.3 %	21.5 %	19.2 %

SHAREHOLDER INFORMATION

A total of 6,736,851 (2,189,109) shares in Hexagon Composites ASA (HEX.OL) were traded on Oslo Børs (OSE) during third quarter 2018. The total number of shares in Hexagon Composites ASA at 30 September 2018 was 166,627,868 (par value NOK 0.10). During the quarter, the share price moved between NOK 23.05 and NOK 27.95, ending the quarter on NOK 25.00. The price at 30 September gave a market capitalization of NOK 4,165.7 million for the Company.

20 LARGEST SHAREHOLDERS PER 30 OCTOBER 2018	NUMBER OF SHARES	SHARE OF 20 LARGEST	SHARE OF TOTAL	TYPE	COUNTRY
Mitsui & Co., Ltd	41 666 321	30.62 %	25.01 %	Ordinary	JPN
Flakk Composites AS	29 002 667	21.31 %	17.41 %	Ordinary	NOR
MP Pensjon PK	13 080 815	9.61 %	7.85 %	Ordinary	NOR
Bøckmann Holding AS	9 000 000	6.61 %	5.40 %	Ordinary	NOR
Odin Norge	7 038 064	5.17 %	4.22 %	Ordinary	NOR
JP Morgan Chase Bank, S/A Escrow Account	6 555 244	4.82 %	3.93 %	Nominee	GBR
Nødingen AS	6 000 000	4.41 %	3.60 %	Ordinary	NOR
Swedbank Robur Smabo Norden	4 340 000	3.19 %	2.60 %	Ordinary	SWE
Skandinaviska Enskilda Banken AB	3 623 151	2.66 %	2.17 %	Ordinary	SWE
Storebrand Norge JP Morgan Europe Ltd.	2 522 094	1.85 %	1.51 %	Ordinary	NOR
Hexagon Composites ASA	2 366 075	1.74 %	1.42 %	Ordinary	NOR
The Bank of New York	1 859 911	1.37 %	1.12 %	Nominee	BEL
Eika Spar	1 346 626	0.99 %	0.81 %	Ordinary	NOR
Eika Norge	1 288 133	0.95 %	0.77 %	Ordinary	NOR
Verdipapirfondet Alf SEB Investor World G	1 272 219	0.93 %	0.76 %	Ordinary	NOR
Flakk Invest AS	1 200 000	0.88 %	0.72 %	Ordinary	NOR
VPF Nordea Kapital c/o JP Morgan Europe	1 139 924	0.84 %	0.68 %	Ordinary	NOR
VPF Nordea Avkastning c/o JP Morgan Europe	961 111	0.71 %	0.58 %	Ordinary	NOR
TR European Growth HSBC Bank Plc	918 125	0.67 %	0.55 %	Ordinary	GBR
Verdipapirfondet Alf SEB Investor World G	907 612	0.67 %	0.54 %	Ordinary	NOR
Total 20 largest shareholders	136 088 092	100.00 %	81.67 %		
Remaining	30 539 776		18.33 %		
Total	166 627 868		100.00 %		

FORWARD LOOKING STATEMENTS

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HYDROGEN & LIGHT-DUTY VEHICLES



CNG Light-Duty Vehicles



Fuel Cell Electric Vehicles



Transit Buses



Heavy-Duty Trucks



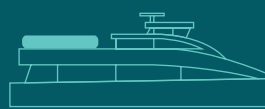
Distribution



Ground storage



Backup power



Marine

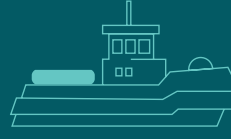


Rail

MOBILE PIPELINES



Distribution



Marine

LPG

Leisure activities, household and industrial applications



OTHER



Hexagon MasterWorks

AGILITY FUEL SOLUTIONS



Heavy-Duty Trucks



Transit Buses