



HEXAGON

**Q4**

2018 FOURTH QUARTER

## FOURTH QUARTER 2018 REPORT

NOK 1 000 EXCEPT PER SHARE DATA	Q4 2018	Q4 2017	PERCENT CHANGE	31.12.2018	31.12.2017	PERCENT CHANGE
<b>GROUP RESULTS</b>						
Revenue	426.8	358.5	19%	1 486.5	1 429.4	4%
Operating profit before depreciation (EBITDA)	55.2	39.9	38%	234.6	174.0	35%
Operating profit (EBIT)	19.2	19.7	-2%	140.2	99.3	41%
Profit before tax	41.4	2.2	1 768%	167.6	48.2	248%
Profit after tax	27.3	30.8	-11%	145.5	69.5	109%
<b>SEGMENT RESULTS</b>						
<b>HEXAGON PURUS (HYDROGEN &amp; LIGHT-DUTY VEHICLES)</b>						
Revenue	90.2	96.8	-7%	293.4	347.6	-16%
EBITDA	0.6	9.8	-94%	-48.8	15.3	-419%
EBIT	-21.5	4.2	-610%	-90.6	-7.0	-1 199%
<b>HEXAGON MOBILE PIPELINE &amp; OTHER</b>						
Revenue	229.2	152.1	51%	595.6	429.6	39%
EBITDA	27.5	24.7	11%	48.7	14.9	226%
EBIT	22.8	20.6	10%	31.9	-4.2	862%
<b>HEXAGON RAGASCO LPG</b>						
Revenue	116.5	123.1	-5%	644.7	654.3	-1%
EBITDA	13.1	16.5	-20%	133.3	144.0	-7%
EBIT	6.7	11.4	-41%	108.6	125.7	-14%

\* All subsequent numbers in parentheses refer to comparative figures for the same period last year.

NOK 1 000 EXCEPT PER SHARE DATA	PROFORMA Q4 2018	PROFORMA 31.12.2018
<b>PROFORMA RESULTS INCL AGILITY FUEL SOLUTIONS*</b>		
Revenue	859	2 886
Adjusted operating profit before depreciation (EBITDA)**	118	398
Operating profit before depreciation (EBITDA)	108	364

\* Preliminary unaudited estimates

\*\* Adjusted for IFRS adjusted non-cash stock compensation costs

In the fourth quarter 2018 Hexagon Composites generated NOK 426.8 (358.5) million in operating income and made an operating profit before depreciation (EBITDA) of NOK 55.2 (39.9) million. Operating profit (EBIT) was NOK 19.2 (19.7) million and profit/loss before tax came to NOK 41.4 (2.2) million. EBIT in the fourth quarter 2017 was adversely impacted by an asset impairment adjustment of NOK 16.0 million. EBITDA for the quarter included a positive impact of NOK 18.4 million, triggered by a final reduction of the earn-out obligation related to the 2016 xperion acquisition.

Underlying operating results in the fourth quarter were positively impacted by strong contribution from Agility Fuel Solutions and strong sales volumes from Mobile Pipeline.

Reported Group operating income for the year 2018 increased by 4% to NOK 1,486.5 million compared with 1,429.4 million in 2017, which was positively impacted by NOK 21.5 million from the sale of certain assets to related party Agility. Operating profit before depreciation (EBITDA) was NOK 234.6 (174.0) million. EBITDA for the year 2018 included a positive impact of NOK 108.5 million associated to the reduction of the earn-out obligation related to the xperion acquisition. Operating profit (EBIT) was NOK 140.2 (99.3) million, while profit before tax was NOK 167.6 (48.2) million.

In the fourth quarter of 2018, Hexagon signed an agreement to acquire the remaining 50% share in Agility Fuel Solutions, the leading clean fuel systems and solutions provider. The transaction was closed on 4 January 2019. With this acquisition, Hexagon substantially strengthens its position as the globally leading gas fuel solutions provider.

**Pro forma numbers including 100% of Agility**

When considering the Group on a proforma basis, including 100% of Agility Fuel Solutions, the operating income in the year 2018 amounted to NOK 2,886 million. Reported EBITDA was NOK 364 million and EBITDA adjusted for stock compensation was NOK 398 million. Agility Fuel Solutions recorded a strong second half of the year, particularly driven by increased volumes from the Heavy-Duty Truck and Transit Bus segments.

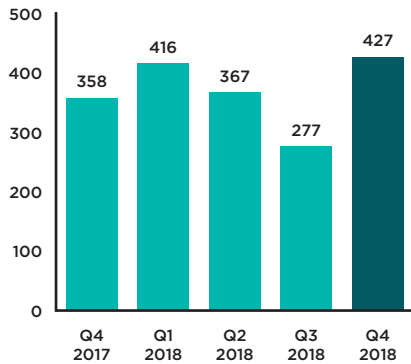
**Key developments**

- Signed agreement to acquire all outstanding shares in Agility Fuel Solutions
- 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 MUSD 50-70 (approx. MNOK 420-590)
- Acquired technology company Digital Wave Corporation, integrating capabilities for unique testing and requalification of high-pressure cylinders
- New Flyer ordered hydrogen tanks for 25 hydrogen fuel cell transit buses
- Received U.S. DOT special permit for high-pressure vessel hydrogen transportation system
- Awarded an order for X-STORE® transport modules for the UK market from a leading industrial gas service company, with a total value of MEUR 6.8 (approx. MNOK 65).

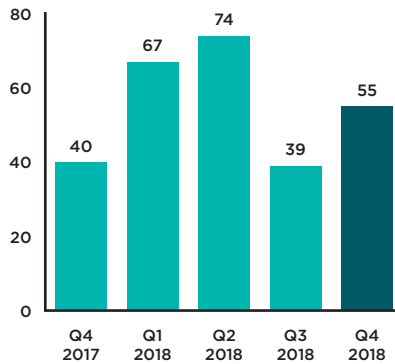
**Key developments after balance sheet date**

- Closed the Agility Fuel Solutions transaction on 4 January 2019
- Awarded order for TITAN® transport modules from Certarus Ltd. with a total value of MUSD 8.1 (approx. MNOK 70)
- Agility extended exclusive long-term agreement with New Flyer Industries with total value of MUSD 75 (approx. MNOK 640).

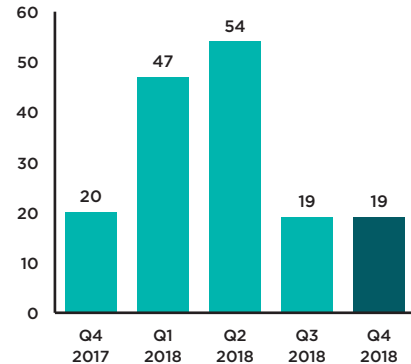
**OPERATING INCOME**  
MNOK



**EBITDA**  
MNOK



**EBIT**  
MNOK



## SEGMENT RESULTS

### AGILITY FUEL SOLUTIONS

50% equity accounted investment until January 2019, thereafter 100%

**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 by 65% to NOK 436 (265) million, compared with the corresponding period last year. The reported EBITDA was NOK 55 (-1) million and the EBITDA adjusted for non-recurring or non-cash items was NOK 67 (6) million.

The strong performance was driven by positive development across all applications. Sales within the Heavy-Duty Truck segment almost tripled compared with the corresponding quarter last year. The strong momentum within the North American Transit Bus and Refuse Truck segments as well as European Transit Bus segment continued.

Agility recently extended a long-term agreement with New Flyer Industries for the supply of CNG cylinders for transit buses with an estimated overall delivery value of USD 75 million (approx. NOK 640 million).

Hexagon and Agility are delivering next-generation hydrogen storage systems based on large-diameter high-pressure composite cylinders for medium- and heavy-duty vehicles.

For fourth quarter 2018, 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 quarter amounted to NOK 14.5 (-15.5) million.

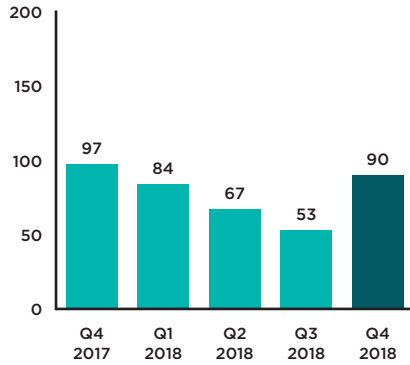
For the full year Agility reported revenues of NOK 1,419 (1,301) million, with a reported EBITDA of NOK 117 (79) million and an adjusted EBITDA of NOK 164 (122) million. The primary adjusting item was for non-cash stock-based incentive program costs of NOK 33 million. These instruments have no cash value post the acquisition date. Remaining adjusting items were related to transaction, restructuring and other costs amounting to NOK 14 million.

For the full year 2018, Hexagon recorded its fifty percent share of net profit before tax as income from investments and joint ventures, which after IFRS adjustments amounted to NOK 18.4 (-16.3) million.

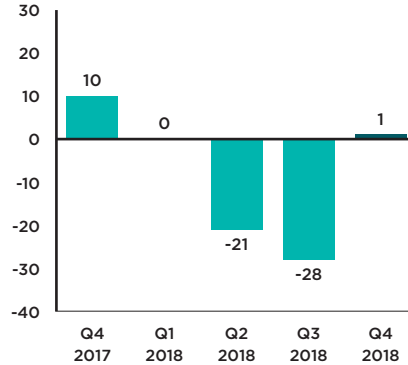
## HEXAGON PURUS - HYDROGEN & LIGHT-DUTY VEHICLES

Hexagon 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.

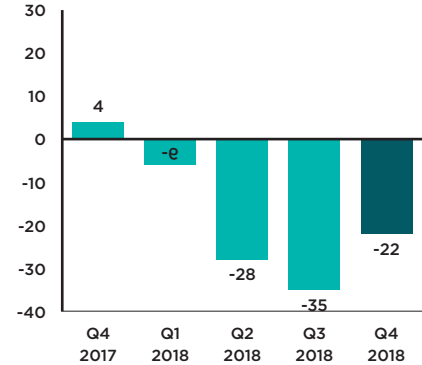
### OPERATING INCOME MNOK



### EBITDA MNOK



### EBIT MNOK



Revenues for the segment amounted to NOK 90.2 (96.8) million in the fourth quarter of 2018. EBIT in the fourth quarter was NOK -21.5 (4.2) million. The operating loss includes an asset impairment one-off adjustment of NOK 16.0 million.

The CNG Light-Duty Vehicle (LDV) business generated revenues of NOK 54.9 (55.7) million. While the overall long-term sentiment remains strong, the temporary adverse effect from the implementation of the new Worldwide Harmonized Light Vehicles Test Procedure (WLTP) continued to have impact in the quarter.

The Hydrogen business generated NOK 35.3 (41.1) million of revenues in the fourth quarter. Revenues in the quarter were primarily generated from our OEM development programs, including deliveries of hydrogen tanks to transit bus customer New Flyer.

EBITDA for the quarter was NOK -13.6 million in the Hydrogen business.

For the full year 2018 revenues for the segment amounted to NOK 293.4 (347.6) million of which NOK 193.3 million was generated from CNG LDV business and NOK 100.1 million from the Hydrogen business. The CNG LDV business was primarily attributed to deliveries to Volkswagen Group, while Hydrogen revenues were mainly derived from development projects. Lower Hydrogen Distribution sales impacted the revenues compared with 2017.

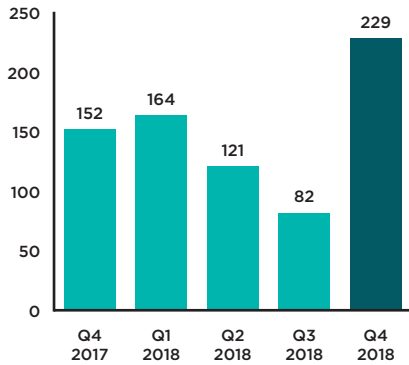
EBITDA for the full year was NOK -55.2 million in the Hydrogen business.

EBIT was NOK -90.6 (-7.0) million, which was impacted by the one-off asset impairment charge of NOK 16 million as well as continued investments in the Hydrogen business unit. These relate to expanding the organization as well as research and product development towards multiple customer contracts.

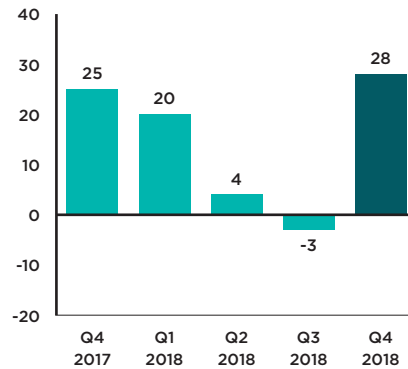
## HEXAGON MOBILE PIPELINE & OTHER

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

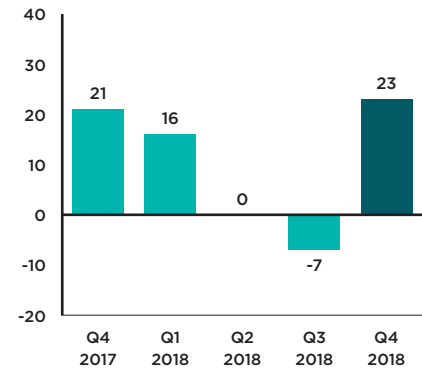
**OPERATING INCOME**  
MNOK



**EBITDA**  
MNOK



**EBIT**  
MNOK



Revenues for the segment amounted to NOK 229.2 (152.1) million, driven by strong volume deliveries in the fourth quarter of 2018. The overall sentiment remains positive and economic and environmental benefits continue to drive demand.

The segment reported an EBIT of NOK 22.8 (20.6) million in the fourth quarter.

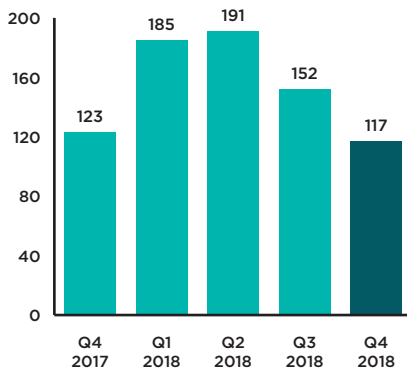
During the quarter, Hexagon was awarded an order for X-STORE® Mobile Pipeline® modules from a leading industrial gas services company, with a total value of EUR 6.8 million (around NOK 65 million). The Mobile Pipeline® modules will supply compressed natural gas to distilleries outside the gas grid in the United Kingdom.

For the full year the revenues increased by 39% to NOK 595.6 (429.6) million compared with 2017. Operating profit (EBIT) amounted to NOK 31.9 (-4.2) million.

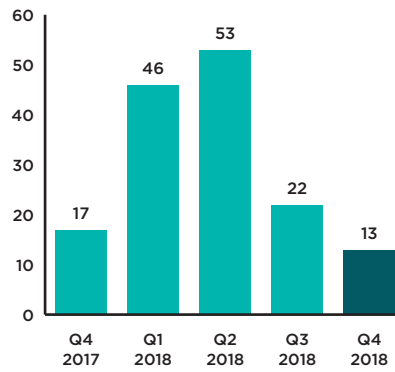
## HEXAGON RAGASCO LPG

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

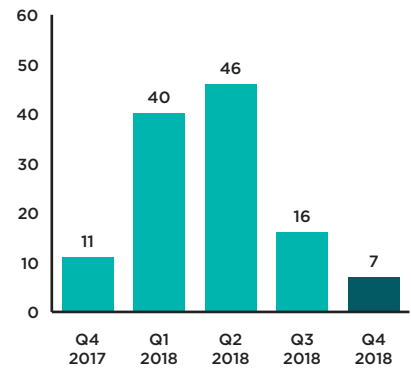
**OPERATING INCOME**  
MNOK



**EBITDA**  
MNOK



**EBIT**  
MNOK



Revenues for the LPG segment amounted to NOK 116.5 (123.1) million in the fourth quarter of 2018. LPG cylinders were primarily delivered to Asian and European markets. Operating profit (EBIT) was NOK 6.7 (11.4) million in the fourth quarter. The production facility at Raufoss, Norway was temporarily shut down at the end of the year for planned maintenance work.

The investment activities at the production facility at Raufoss, Norway were completed on schedule and on budget in January 2019. These investments into processes and technologies further enhance manufacturing efficiency and product differentiation.

Revenues for the year 2018 amounted to NOK 644.7 (654.3) million. EBIT for the LPG segment was NOK 108.6 (125.7) million for the full year, affected by product/market mix changes.

## THE GROUP

Hexagon recorded operating profit before depreciation (EBITDA) of NOK 55.2 (39.9) million and a net profit after tax of NOK 27.3 (30.8) million. In the fourth quarter 2017, a net credit tax charge of NOK 28.3 million was generated primarily due to restatements of deferred tax liabilities in the US, as a result of US tax reforms.

Net financial items were NOK 7.6 (-1.6) million driven by positive foreign exchange fluctuation effects of NOK 11.8 (0.2) and interest and other charges of NOK -4.2 (-1.8) million during the quarter.

Net profit after tax for the full year 2018 was NOK 145.5 (69.5) million.

Net financial items were NOK 10.3 (-34.4) million driven by positive foreign exchange fluctuation effects of NOK 20.2 (-26.7) and interest and other charges of NOK -9.9 (-7.7) million for the full year.

At quarter-end the statement of financial position totaled NOK 2,613.7 (2,391.3) million and the Group's equity ratio was 59.1% (59.1%).

## AFTER BALANCE SHEET DATE

On 8 November 2018, Hexagon signed an agreement to acquire the remaining 50% share in Agility Fuel Solutions. The agreed transaction valued Agility's equity at USD 250 million (NOK 2.1 billion) on a 100% basis. The transaction was closed on 4 January 2019.

There have been no other significant events after the balance sheet date that have not been disclosed in this report.

## OUTLOOK

With Agility Fuel Solutions and Digital Wave fully consolidated, Hexagon has become an even stronger force in driving the energy transformation towards cleaner and more environmentally friendly energy sources.

Agility benefits from increased focus on lower carbon emissions and cost advantages of natural gas and biogas. The Heavy-Duty Truck segment volumes are expected to increase, driven by the stable and low natural gas price and strong focus on reducing emissions. The Transit Bus segment has continued to grow both in North America and in Europe. Also, the Refuse Truck segment continues an upward trend.

Hexagon experiences substantial activity in all segments of the Hydrogen business and is involved in a number of hydrogen development projects. The two large OEM contracts for delivery of hydrogen tanks to new Fuel Cell Electric Vehicle models (FCEVs) received during 2018, shows that the market is now moving into large scale serial production and confirms Hexagon's strong competitive position in the market for hydrogen storage solutions. Substantial organizational investments are being made to further develop Hexagon's Hydrogen position. These investments are dilutive to short and medium-term profitability, however accretive to long-term shareholder value.

The delivery delays related to the stringent emissions testing program is easing out, and deliveries for some CNG Light-Duty Vehicle models resumed in the fourth quarter. A steep ramp-up is expected in 2019.

The strong environmental focus is also driving the demand for natural gas and biogas. The demand for the Company's Mobile Pipeline® products is increasing, driven by growth in conversions from petroleum fuels to cleaner natural gas, particularly within energy intensive industries in North America. Also, the project pipeline continues to increase in the rest of the world.

Digital Wave expects sound demand as TITAN® modules come up for testing and requalification during the year. Strategies will be developed to accelerate growth for this business for the coming years.

Hexagon Ragasco volumes remain at a high level, however with a more complex 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

<b>INCOME STATEMENT</b>	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
(NOK 1 000)	Unaudited	Unaudited	Unaudited	Audited
Sales revenue	426 753	358 452	1 486 521	1 407 939
Other operating revenue	0	0	0	21 458
<b>Total operating revenue</b>	<b>426 753</b>	<b>358 452</b>	<b>1 486 521</b>	<b>1 429 397</b>
Cost of materials	193 197	170 747	696 970	646 062
Payroll and social security expenses	118 360	86 841	397 032	345 449
Other operating expenses	78 399	60 961	266 463	263 863
Reversal earn-out	-18 443	0	-108 549	0
<b>Total operating expenses before depreciation</b>	<b>371 512</b>	<b>318 549</b>	<b>1 251 915</b>	<b>1 255 374</b>
<b>Operating profit before depreciation (EBITDA)</b>	<b>55 241</b>	<b>39 903</b>	<b>234 605</b>	<b>174 022</b>
Depreciation and impairment	35 993	20 175	94 363	74 731
<b>Operating profit (EBIT)</b>	<b>19 248</b>	<b>19 727</b>	<b>140 243</b>	<b>99 291</b>
Profit/loss from investments in associates and joint ventures	14 578	-15 883	17 074	-16 667
Other financial items (net)	7 611	-1 626	10 299	-34 397
<b>Profit/loss before tax</b>	<b>41 437</b>	<b>2 218</b>	<b>167 615</b>	<b>48 227</b>
Tax	-14 166	28 564	-22 109	21 245
<b>Profit/loss after tax</b>	<b>27 271</b>	<b>30 783</b>	<b>145 506</b>	<b>69 472</b>
Earnings per share			0.88	0.42
Diluted earnings per share			0.94	0.47

<b>COMPREHENSIVE INCOME STATEMENT</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
(NOK 1 000)		
Profit/loss after tax	145 506	69 472
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		
Exchange differences arising from the translation of foreign operations	38 722	-18 120
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>38 722</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	-788	-1 351
Income tax effect of actuarial gains/losses for the period	181	324
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>-607</b>	<b>-1 027</b>
<b>Total comprehensive income, net of tax</b>	<b>183 622</b>	<b>50 325</b>

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
(NOK 1 000)	Unaudited	Audited
<b>ASSETS</b>		
Intangible assets	617 804	558 977
Tangible fixed assets	358 761	260 550
Investment in associates and joint ventures	922 891	918 769
Other financial fixed assets	301	941
<b>Total non-current assets</b>	<b>1 969 757</b>	<b>1 739 237</b>
Inventories	299 399	242 350
Receivables	206 001	238 105
Bank deposits, cash and similar	138 531	171 605
<b>Total current assets</b>	<b>643 930</b>	<b>652 061</b>
<b>Total assets</b>	<b>2 613 687</b>	<b>2 391 298</b>
<b>EQUITY AND LIABILITIES</b>		
Paid-in capital	773 803	761 073
Other equity	770 284	651 368
<b>Total equity</b>	<b>1 544 087</b>	<b>1 412 441</b>
Interest-bearing long-term liabilities	516 163	367 403
Other non-current liabilities	113 668	224 404
<b>Total non-current liabilities</b>	<b>629 831</b>	<b>591 807</b>
Interest-bearing current liabilities	5 768	19 494
Other current liabilities	434 001	367 556
<b>Total current liabilities</b>	<b>439 769</b>	<b>387 050</b>
<b>Total liabilities</b>	<b>1 069 600</b>	<b>978 857</b>
<b>Total equity and liabilities</b>	<b>2 613 687</b>	<b>2 391 298</b>

<b>CONDENSED CASH FLOW STATEMENT</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
(NOK 1 000)		
Profit before tax	167 615	48 227
Depreciation and write-downs	94 363	74 731
Change in net working capital	-112 739	-32 525
<b>Net cash flow from operations</b>	<b>149 238</b>	<b>90 434</b>
Net cash flow from investment activities	-224 292	-26 479
Net cash flow from financing activities	36 796	-99 407
<b>Net change in cash and cash equivalents</b>	<b>-38 259</b>	<b>-35 453</b>
Net currency exchange differences	4 204	-1 016
Cash and cash equivalents at start of period	171 605	208 073
Cash and cash equivalents acquisition	980	0
<b>Cash and cash equivalents at end of period</b>	<b>138 531</b>	<b>171 605</b>
Available unused credit facility	1 568 751	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						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						145 506	145 506
Other income and expenses					38 722	-607	38 115
Dividends						-49 639	-49 639
Share-based payment				12 850		13 285	26 135
Movement in own shares etc.		-120				-30 556	-30 676
<b>Balance 31.12.2018</b>	<b>16 663</b>	<b>-237</b>	<b>727 639</b>	<b>29 738</b>	<b>126 569</b>	<b>643 715</b>	<b>1 544 087</b>

<b>BUSINESS SEGMENT DATA</b>	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
(NOK 1 000)	Unaudited	Unaudited	Unaudited	Unaudited
<b>HEXAGON PURUS - HYDROGEN &amp; LIGHT DUTY VEHICLES</b>				
Sales of goods external customers	70 876	70 210	229 421	292 692
Sales of services and funded development	16 512	21 865	48 153	34 636
Internal transactions	2 822	4 704	15 789	20 304
<b>Total operating revenue</b>	<b>90 210</b>	<b>96 779</b>	<b>293 363</b>	<b>347 632</b>
Segment operating profit before depreciation (EBITDA)	572	9 813	-48 819	15 312
Segment operating profit (EBIT)	-21 506	4 220	-90 595	-6 975
Segment assets			784 166	709 755
Segment liabilities			724 265	742 750
<b>HEXAGON MOBILE PIPELINES &amp; OTHER</b>				
Sales of goods external customers	215 930	147 830	551 655	412 006
Sales of services and funded development	8 237	701	21 542	6 435
Internal transactions	5 030	3 592	22 439	11 108
<b>Total operating revenue</b>	<b>229 196</b>	<b>152 123</b>	<b>595 636</b>	<b>429 550</b>
Segment operating profit before depreciation (EBITDA)	27 515	24 718	48 711	14 939
Segment operating profit (EBIT)	22 755	20 619	31 870	-4 180
Segment assets			370 849	281 584
Segment liabilities			907 886	716 626
	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	Unaudited	Unaudited	Unaudited	Audited
<b>HEXAGON RAGASCO LPG</b>				
Sales of goods external customers	113 537	119 739	634 281	642 747
Sales of services and funded development	468	275	2 079	1 037
Internal transactions	2 512	3 039	8 348	10 535
<b>Total operating revenue</b>	<b>116 516</b>	<b>123 053</b>	<b>644 708</b>	<b>654 319</b>
Segment operating profit before depreciation (EBITDA)	13 146	16 489	133 345	143 964
Segment operating profit (EBIT)	6 745	11 412	108 560	125 699
Segment assets			407 121	456 140
Segment liabilities			224 042	358 492
<b>INVESTMENT IN JOINT VENTURES AND ASSOCIATES</b>				
Net booked value investment in Joint Ventures and Associates			992 891	918 769

# NOTES

## NOTE 1: INTRODUCTION

The condensed consolidated interim financial statements for fourth quarter 2018, which ended 31 December 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 Purus - 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 12 February 2019.

## 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>
Unsecured bank loans	-4 738	0	0	-4 738
Financial leases and other loans	0	-2 130	-770	-2 901
<b>Balance 30.06.2018</b>	<b>350 572</b>	<b>2 556</b>	<b>17 847</b>	<b>370 975</b>
Unsecured bank loans	93 102	0	0	93 102
Financial leases and other loans	0	1 096	-14 907	-13 811
<b>Balance 30.09.2018</b>	<b>443 674</b>	<b>3 652</b>	<b>2 940</b>	<b>450 266</b>
Unsecured bank loans	72 489	0		72 489
Financial leases and other loans	0	-3 652	2 828	-824
<b>Balance 31.12.2018</b>	<b>516 163</b>	<b>0</b>	<b>5 768</b>	<b>521 931</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.

On November 8<sup>th</sup>, 2018, the Company executed a commitment with DNB bank for a USD 125m bridge facility for the purposes of financing the acquisition of the remaining interests in Agility Fuel Solutions (see Note 7). This facility was drawn on completion of the acquisition on January 4<sup>th</sup>, 2019.

### NOTE 3: ESTIMATES

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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 could be exercised in part or in full following the official announcement of the financial results for the second quarter of 2018. The exercise period was extended to 14 December 2018. None of the options was exercised.

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. The company has decided to extend the exercise period.

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. 7 September 2017 additional 190,000 call options were added to this program. 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.

20 December 2018 Hexagon Composites ASA issued 100 000 Restricted Stock Units (RSUs) to certain employees of the Group. Subject to continued employment three years after date of grant, each employee will at such time receive such number of Hexagon shares as corresponds to the number of RSUs allocated.

The fair value of the options and RSUs 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 and RSUs scheme were NOK 12.5 million YTD 31 December. The cost in the fourth quarter were NOK 4.1 million. The fair value of all outstanding share options (3 675 000) and RSUs (100 000) is estimated to NOK 15.5 million per 31 December 2018.

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

### NOTE 5: EARN-OUT

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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 0.2 million or NOK 1.9 million as at 31.12.2018 (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: PURCHASE OF DIGITAL WAVE CORPORATION

With effect from 30 November 2018 Hexagon Composites acquired Digital Wave Corporation. The company includes testing & requalification of high-pressure cylinders (Mobile Pipelines) and is located in Denver, Colorado in USA.

The fair value of the identifiable assets and liabilities of Digital Wave Corporation as at the date of acquisition were:

<b>DIGITAL WAVE CORPORATION</b>	<b>FAIR VALUE RECOGNISED ON ACQUISITION</b>
(NOK 1 000)	
<b>ASSETS</b>	
Property, plant and equipment	6 599
Intangible assets	18 864
Cash	980
Inventories	8 234
Trade accounts receivable	3 543
<b>Total assets</b>	<b>38 219</b>
<b>LIABILITIES</b>	
Short term liabilities	4 521
Deferred tax liabilities	1 049
<b>Total equity and liabilities</b>	<b>5 570</b>
<b>Net identifiable assets and liabilities at fair value</b>	<b>32 649</b>
Goodwill*	31 661
<b>Purchase consideration transferred / Paid in cash</b>	<b>64 310</b>
<b>ANALYSIS OF CASH FLOWS ON ACQUISITION:</b>	
Net cash acquired with the subsidiary	980
Cash paid	-64 310

\* Additional clarifications of the purchase price allocation is required. Thus there might be subsiquential adjustment with corresponding adjustment to goodwill prior to 30 November 2019 (1 year after the transaction).

From the date of acquisition through to the end of year 2018, Digital Wave Corporation contributed NOK 2.8 million and -1.1 million to the Group's revenues and profit before tax, respectively. If the acquisition had occurred at the beginning of 2018, revenues and profit before taxes for the Group would have been a total of NOK 1 539 million and NOK 188 million, respectively.

The goodwill recognised on acquisition is primarily attributed to the expected synergies and other benefits from integrating and utilising the assets and activities of the Digital Wave Corporation within the Hexagon Group. The goodwill is not deductible for income tax purposes.

Transaction costs of NOK 0.7 million have been expensed and are included in administrative expenses in the statement of profit and loss. These are also included in the operating cash flows in the statement of cash flows.

## NOTE 7: EVENTS AFTER THE BALANCE SHEET DATE

On the 8 November, Hexagon Composites ASA signed an agreement to acquire the remaining 50% of Agility Fuel Solutions. The agreed transaction value of Agility Fuel Solutions was USD 250.0 million (approx. NOK 2.1 billion) on a 100% basis. The transaction was closed on 4 January 2019. 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	31.12.2018	31.12.2017
EBITDA in % of operating income	15.8 %	12.2 %
EBIT in % of operating income	9.4 %	6.9 %
EBITDA (rolling last 4 quarters) / Capital Employed %	11.4 %	9.7 %
EBIT (rolling last 4 quarters) / Capital Employed %	6.8 %	5.5 %
Net working capital / Operating income (rolling last 4 quarters) %	15.5 %	18.5 %
Interest coverage I <sup>1)</sup>	19.9	6.4
Interest coverage II <sup>2)</sup>	26.4	19.4
NIBD / EBITDA (rolling last 4 quarters)	1.6	1.2
Equity ratio	59.1 %	59.1 %
Equity / Capital employed	74.7 %	78.5 %
Return on equity (annualised)	9.8 %	5.1 %
Total return (annualised)	7.1 %	2.4 %
Liquidity ratio I	1.5	1.7
Liquidity reserve <sup>3)</sup>	1 568 751	807 514
Liquidity reserve <sup>3)</sup> / Operating income (rolling last 4 quarters) %	105.5 %	56.5 %
Earnings per share	0.88	0.42
Diluted earnings per share	0.94	0.47
Cash flow from operations per share	0.91	0.55
Equity per share	9.27	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	31.12.2018	31.12.2017
<b>HEXAGON PURUS - HYDROGEN &amp; LIGHT DUTY VEHICLES</b>		
EBITDA in % of operating income	-16.6 %	4.4 %
EBIT in % of operating income	-30.9 %	-2.0 %
<b>HEXAGON MOBILE PIPELINE &amp; OTHER</b>		
EBITDA in % of operating income	8.2 %	3.5 %
EBIT in % of operating income	5.4 %	-1.0 %
<b>HEXAGON RAGASCO LPG</b>		
EBITDA in % of operating income	20.7 %	22.0 %
EBIT in % of operating income	16.8 %	19.2 %

## SHAREHOLDER INFORMATION

A total of 6,089,835 (4,295,344) shares in Hexagon Composites ASA (HEX.OL) were traded on Oslo Børs (OSE) during fourth quarter 2018. The total number of shares in Hexagon Composites ASA at 31 December 2018 was 166,627,868 (par value NOK 0.10). During the quarter, the share price moved between NOK 22.05 and NOK 27.00, ending the quarter on NOK 24.45. The price at 31 December gave a market capitalization of NOK 4,074.1 million for the Company.

20 LARGEST SHAREHOLDERS PER 12 FEBRUARY 2019	NUMBER OF SHARES	SHARE OF 20 LARGEST	SHARE OF TOTAL	TYPE	COUNTRY
MITSUI & CO LTD	41 666 321	30.90%	25.01%	Comp.	JPN
FLAKK COMPOSITES AS	29 002 667	21.51%	17.41%	Comp.	NOR
MP PENSJON PK	13 280 815	9.85%	7.97%	Comp.	NOR
BRØDR. BØCKMANN AS	9 000 000	6.67%	5.40%	Comp.	NOR
ODIN NORGE	7 038 064	5.22%	4.22%	Comp.	NOR
NØDINGEN AS	6 000 000	4.45%	3.60%	Comp.	NOR
SWEDBANK ROBUR SMABOLAGSFOND	4 340 000	3.22%	2.60%	Comp.	SWE
SKANDINAVISKA ENSKILDA BANKEN AB	3 630 532	2.69%	2.18%	Comp.	SWE
J.P. MORGAN BANK LUXEMBOURG S.A.	3 248 367	2.41%	1.95%	Nom.	LUX
STOREBRAND NORGE I VERDIPAPIRFOND	2 555 598	1.90%	1.53%	Comp.	NOR
CREDIT SUISSE AG DUBLIN BRANCH	2 493 006	1.85%	1.50%	Comp.	CHE
HEXAGON COMPOSITES ASA	2 366 075	1.75%	1.42%	Comp.	NOR
THE BANK OF NEW YORK MELLON SA/NV	1 638 243	1.21%	0.98%	Nom.	BEL
EIKA SPAR VPF	1 416 258	1.05%	0.85%	Comp.	NOR
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 315 162	0.98%	0.79%	Comp.	NOR
VERDIPAPIRFONDET ALFRED BERG NORGE	1 310 445	0.97%	0.79%	Comp.	NOR
EIKA NORGE	1 288 133	0.96%	0.77%	Comp.	NOR
FLAKK INVEST AS	1 200 000	0.89%	0.72%	Comp.	NOR
CLEARSTREAM BANKING S.A.	1 069 745	0.79%	0.64%	Nom.	LUX
VPF NORDEA KAPITAL	999 924	0.74%	0.60%	Comp.	NOR
<b>Total number owned by top 20</b>	<b>134 859 355</b>	<b>100.00 %</b>	<b>80.93%</b>		
Total number of shares	31 768 513		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 12 February 2019, 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.



## HEXAGON PURUS HYDROGEN & LIGHT-DUTY VEHICLES



CNG Light-Duty Vehicles



Fuel Cell Electric Vehicles



Transit Buses



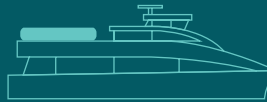
Heavy-Duty Trucks



Distribution



Ground storage



Marine



Rail

## MOBILE PIPELINE



Distribution



Hexagon MasterWorks



Hexagon Digital Wave

## AGILITY FUEL SOLUTIONS



Heavy-Duty Trucks



Transit Buses

## HEXAGON RAGASCO

Leisure activities,  
household and  
industrial  
applications

