



HEXAGON

Q3

2019 THIRD QUARTER

THIRD QUARTER 2019 REPORT

NOK MILLION	Q3 2019	Q3 2018	PERCENT CHANGE	30.09.2019	30.09.2018	PERCENT CHANGE
GROUP RESULTS						
Revenue	770.3	276.7	178%	2 474.2	1 059.8	133%
Operating profit before depreciation (EBITDA)	49.3	39.2	26%	261.6	179.4	46%
Operating profit (EBIT)	-10.6	19.4	-154%	84.6	121.0	-30%
Profit before tax	72.1	25.9	179%	106.9	126.2	-15%
Profit after tax	55.5	32.6	70%	96.6	118.2	-18%
SEGMENT RESULTS						
AGILITY FUEL SOLUTIONS						
Revenue	410.5			1 304.5		
EBITDA	36.7			128.4		
EBIT	8.6			45.3		
HEXAGON PURUS						
Revenue	150.6	53.0	184%	417.5	203.2	106%
EBITDA	-5.1	-28.1	82%	-21.3	-49.4	57%
EBIT	-16.8	-34.9	52%	-55.7	-69.1	19%
HEXAGON MOBILE PIPELINE & OTHER						
Revenue	141.8	81.5	74%	415.7	366.4	13%
EBITDA	15.2	-3.1	596%	33.2	21.2	57%
EBIT	7.8	-7.2	208%	11.2	9.1	23%
HEXAGON RAGASCO LPG						
Revenue	117.8	152.2	-23%	459.7	528.2	-13%
EBITDA	12.0	22.1	-46%	69.7	120.2	-42%
EBIT	3.0	15.9	-81%	43.4	101.8	-57%

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

In the third quarter of 2019 Hexagon Group generated NOK 770.3 (276.7) million in revenues and recorded an operating profit before depreciation (EBITDA) of NOK 49.3 (39.2) million. This was driven by continued positive developments in Hexagon Purus' CNG Light-Duty Vehicles business and Agility Fuel Solutions, which is consolidated entirely after the acquisition on 4 January 2019.

EBITDA for the third quarter of 2018 included a positive impact of NOK 50.2 million from a reduction of an earn-out obligation related to the xperion acquisition in 2016. In the third quarter of 2019 depreciation and amortization increased to NOK 59.9 (19.9) million. This was primarily due to the Agility acquisition.

PROFORMA GROUP RESULTS INCL. AGILITY FUEL SOLUTIONS	Q3 2019	Q3 2018	PERCENT CHANGE	30.09.2019	30.09.2018	PERCENT CHANGE
NOK million						
Revenue	770.3	656.1	17%	2,474.2	2,037.8	21%
Adjusted Operating profit before interest, tax, depreciation and amortization (EBITDA)	49.1	31.7*	55%	192.0**	166.2*	16%
Gain/ Earn-out	0.2	50.2		69.6	90.1	
Operating profit before interest, tax, depreciation and amortization (EBITDA)	49.3	81.9	-40%	261.6	256.3	2%

* Excl. a positive impact of a reduction of an earn-out obligation related to the xperion acquisition in 2016

** Excl. a net gain from the Agility acquisition

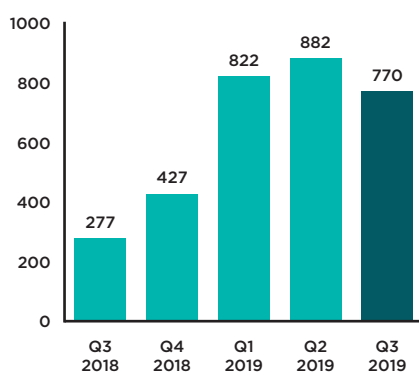
Key developments

- Received order for TITAN® 53 transport modules, with value of USD 4 million (approx. NOK 34 million) for distribution of renewable natural gas (RNG)
- Awarded USD 7.3 million (approx. NOK 63 million) TITAN® order from Certarus
- Hexagon was informed of an indefinite delay of a fuel cell vehicle program for reasons unrelated to Hexagon
- Granted approval for ultra-high-pressure hydrogen ground storage tanks by the California Occupational Safety and Health Standards Board (CalOSHA)

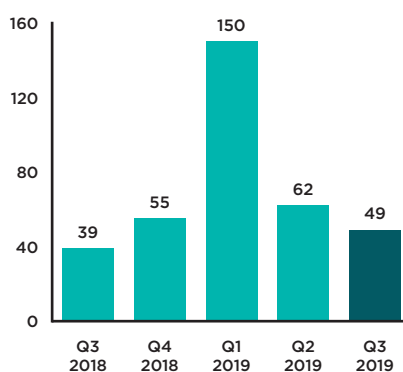
Key developments after balance sheet date

- Agility entered into a three-year exclusive agreement with UPS with a total estimated value of USD 65-95 million (approx. NOK 600 to 900 million)
- Received an additional RNG order for TITAN® modules from a new customer U.S. Gain with value of USD 1.4 million (approx. NOK 13 million)
- Awarded fuel systems order for twelve hydrogen buses by Solaris
- Selected by CaetanoBus for delivery of two fuel systems for hydrogen buses in 2019

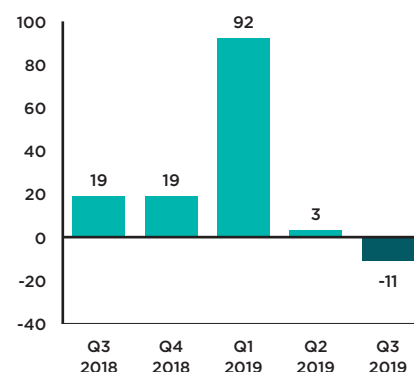
REVENUE
MNOK



EBITDA
MNOK



EBIT
MNOK



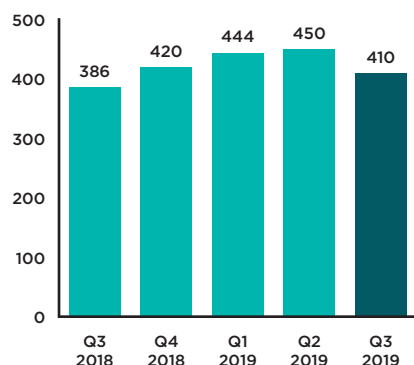
SEGMENT RESULTS

AGILITY FUEL SOLUTIONS

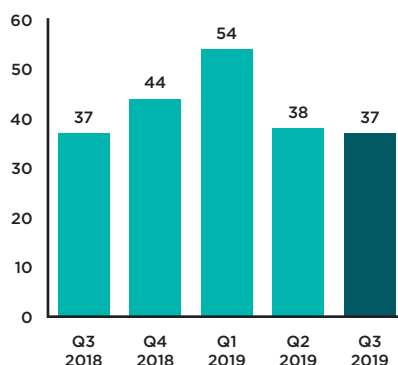
Agility Fuel Solutions is a leading global provider of clean fuel solutions for medium- and heavy-duty commercial vehicles.

Figures for 2018 are prepared on proforma basis.

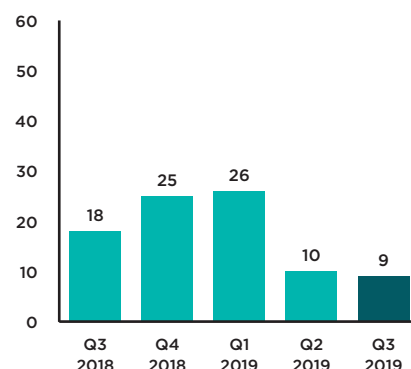
REVENUE
MNOK



EBITDA
MNOK



EBIT
MNOK



Agility's revenues for the quarter increased by 6.3% to NOK 410.5 million compared with proforma NOK 386.0 million in the corresponding period last year. EBITDA was NOK 36.7 million, compared with proforma NOK 37.4 million in the corresponding period last year. US Heavy-Duty Truck segment experienced improved small fleet activity, while the Transit Bus segment in the US and Europe continued its strong growth. The Refuse Truck segment recorded lower volumes, on the back of a skewed first half 2019.

In October Agility signed an exclusive three-year agreement with UPS to supply compressed natural gas (CNG) fuel systems for medium and heavy-duty trucks as well as terminal tractors. The agreement represents a total value of USD 65 million to USD 95 million (approx. NOK 600 to 900 million).

UPS plans to purchase more than 6,000 natural gas-powered trucks beginning in 2020 and running through 2022. This three-year commitment by UPS represents a USD 450 million investment in expanding the company's alternative fuel and advanced technology vehicle fleet as well as supporting infrastructure. The investment in CNG fuel systems expands UPS's relationship with Agility and supports their fleet sustainability efforts. It will help reduce UPS's carbon footprint and is expected to have a positive influence on CNG market growth in North America.

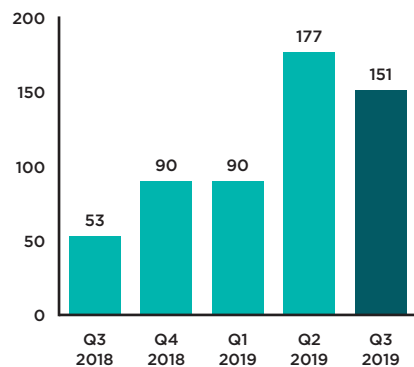
In October Agility was awarded an order to supply twelve fuel systems for Solaris' new hydrogen bus model, with delivery in the third quarter of 2020.

Furthermore, Agility was awarded an order to supply two fuel storage systems for a new hydrogen bus model from CaetanoBus, a leading Portuguese bus manufacturer.

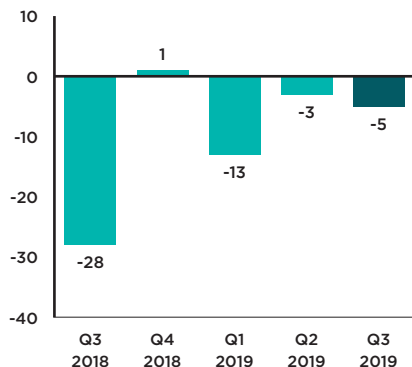
HEXAGON PURUS (HYDROGEN & CNG LIGHT-DUTY VEHICLES)

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
MNOK



EBITDA
MNOK



EBIT
MNOK



Revenues for the Hexagon Purus segment amounted to NOK 150.6 (53.0) million and EBITDA was NOK -5.1 (-28.1) million in the third quarter of 2019.

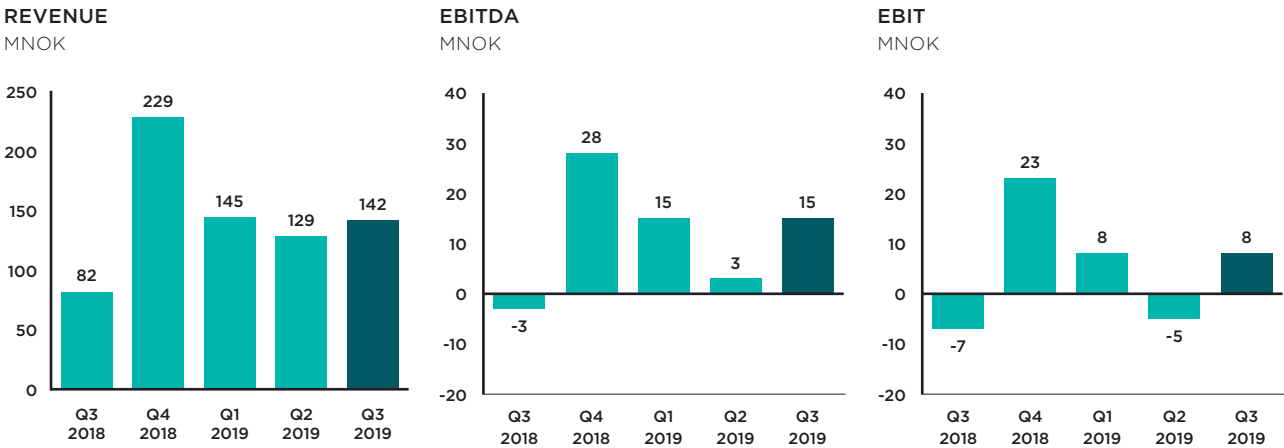
The CNG Light-Duty Vehicle (LDV) business recorded an all-time high quarter with revenues of NOK 128.6 (24.1) million and EBITDA of NOK 14.4 (-13.4) million.

The Hydrogen business generated NOK 21.9 (28.9) million of revenues in the third quarter. Revenues were primarily generated from OEM development programs.

The Hydrogen related EBITDA for the quarter was NOK -19.5 (-14.8) million. This was driven by continued organizational build-up to develop Hexagon's leading position within hydrogen mobility applications.

HEXAGON MOBILE PIPELINE & 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.



Revenues amounted to NOK 141.8 (81.5) million with EBITDA of NOK 15.2 (-3.1) million in the third quarter.

Hexagon was awarded an order from Certarus in July for TITAN® gas transport modules with a total estimated value of USD 7.3 million (approx. NOK 63 million). The Mobile Pipeline® modules will support Certarus' continued growth driven by new industrial applications such as the Canadian mining sector.

In addition, Hexagon received an order for TITAN® gas transport modules by an affiliate of a leading gas distribution utility in the United States. These modules will be used to transport RNG produced at agricultural sites. The total estimated value is USD 4.0 million (approx. NOK 34 million).

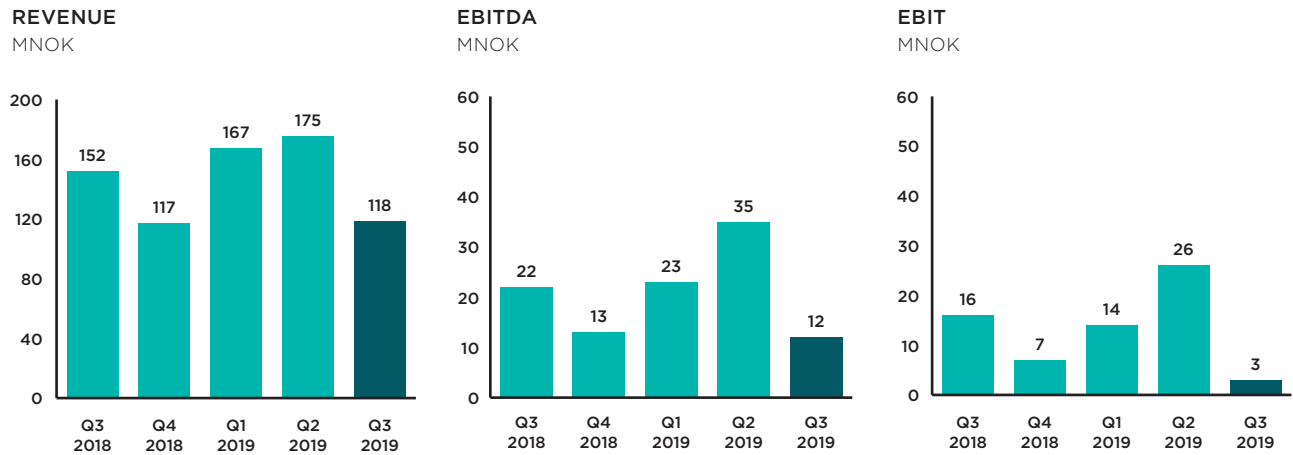
In October Hexagon received another RNG order for TITAN® gas transport modules by a new customer U.S. Gain. The estimated order value is USD 1.4 million (approx. NOK 13 million).

Hexagon continues to grow its position in the emerging RNG market. RNG is considered to be the fast track emission reduction source and will play an important role in the green energy mix.

Hexagon Digital Wave is experiencing sound demand as TITAN® modules are coming up for testing and requalification.

HEXAGON RAGASCO LPG

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



Revenues came in at NOK 117.8 (152.2) million with an EBITDA of NOK 12.0 (22.1) million in the third quarter of 2019. Revenues and margins were unfavorably impacted by some volume postponement, product / market mix and market development costs.

Hexagon Ragasco continues to increase its deliveries to Bangladesh, where it is establishing a strong position and recurring revenue base.

Cylinders were primarily delivered to the Asian and European markets.

In October the company entered a new market, Jordan, with deliveries due in the fourth quarter.

THE GROUP

Hexagon recorded a net profit after tax of NOK 55.5 (32.6) million in the third quarter of 2019. Net financial items were NOK 82.9 (-1.6) million driven by positive foreign exchange fluctuation effects of NOK 102.7 (0.4) million and interest and other charges of NOK -19.9 (-2.0) million.

At quarter-end the balance sheet amounted to NOK 4,744.8 (2,408.3) million and the Group's equity ratio was 45.6% (60.7%).

AFTER BALANCE SHEET DATE

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

OUTLOOK

The strong momentum towards low-carbon economies is driving the transition to cleaner energy carriers, such as natural gas, RNG, hydrogen and batteries. With an extensive portfolio offering of g-mobility and e-mobility solutions, Hexagon is well positioned as a globally leading clean fuel systems provider.

Agility benefits from increased adoption of cleaner energy alternatives and the cost advantages of natural gas. The long-term agreement with UPS secures growth of Agility's Medium-Duty business. The Transit Bus segment is expected to remain positive, particularly in Europe, where stringent EU regulations drive demand for low- and zero-emission solutions.

Hexagon Purus is experiencing high activity, particularly within the hydrogen Heavy-Duty vehicle segment. Substantial organizational investments are being made to develop the company's capabilities and capacities. These investments impact the short and medium-term profitability, however is expected to be accretive to long-term shareholder value.

The positive development in the CNG Light-Duty Vehicle market is expected to continue.

The demand for the company's Mobile Pipeline® products is driven by conversion from petroleum fuels to cleaner CNG and RNG. RNG is recognized as the fastest and most effective available solution to reduce greenhouse gas emissions and is expected to contribute to increased demand for Hexagon's Mobile Pipeline® solutions. The lumpy, project-based nature of the industry is expected to continue.

Hexagon Ragasco volumes in the fourth quarter are expected to be seasonally low in Europe. Meanwhile the company is growing its position in the Asian region, which is expected to generate recurring revenues and balance the seasonal impacts.

The company has started a process to combine all its e-mobility activities under one roof to ensure industrial focus and optimize the operations toward customer needs.

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

Oslo, 29 October 2019
The Board of Directors of Hexagon Composites ASA

FINANCIAL STATEMENTS GROUP

INCOME STATEMENT	30.09.2019	Q3 2019	30.09.2018	Q3 2018	31.12.2018
(NOK 1 000)	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenue from contracts with customers	2 465 514	768 619	1 059 183	276 532	1 485 417
Rental income	8 687	1 666	584	208	1 103
Total revenue	2 474 201	770 285	1 059 767	276 740	1 486 521
Cost of materials	1 212 718	381 474	503 774	146 235	696 970
Payroll and social security expenses	609 935	200 689	278 671	88 511	397 030
Other operating expenses	459 584	139 045	188 064	52 917	266 550
Gain / Fair value adjustment earn-out	-69 625	-238	-90 106	-50 155	-108 549
Total operating expenses before depreciation	2 212 611	720 970	880 403	237 508	1 252 000
Operating profit before depreciation (EBITDA)	261 589	49 316	179 364	39 232	234 520
Depreciation, amortization and impairment	176 989	59 875	58 370	19 857	94 318
Operating profit (EBIT)	84 601	-10 559	120 994	19 375	140 202
Profit/loss from investments in associates and joint ventures	-839	-163	2 496	8 098	17 965
Other financial items (net)	23 178	82 865	2 687	-1 601	10 560
Profit/loss before tax	106 940	72 143	126 178	25 872	168 727
Tax	10 295	16 637	7 943	-6 697	27 265
Profit/loss after tax	96 645	55 507	118 235	32 570	141 462
Earnings per share (NOK)	0.56		0.72		0.86
Diluted earnings per share (NOK)	0.63		0.76		0.92

COMPREHENSIVE INCOME STATEMENT	30.09.2019	30.09.2018	31.12.2018
(NOK 1 000)			
Profit/loss after tax	96 645	118 235	141 462
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Exchange differences arising from the translation of foreign operations	31 520	-7 726	38 740
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	31 520	-7 726	38 740
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Actuarial gains/losses for the period	0	0	-786
Income tax effect of actuarial gains/losses for the period	0	0	181
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0	-605
Total comprehensive income, net of tax	128 165	110 509	179 597

STATEMENT OF FINANCIAL POSITION	30.09.2019	30.09.2018	31.12.2018
(NOK 1 000)	Unaudited	Unaudited	Audited
ASSETS			
Property, plant and equipment	820 247	276 692	358 457
Right-of-use assets	299 021	0	0
Intangible assets	2 115 983	548 093	615 554
Investment in associates and joint ventures	561	925 580	993 777
Other non-current assets	1 008	1 758	367
Total non-current assets	3 236 819	1 752 123	1 968 146
Inventories	797 283	300 534	295 207
Receivables	540 142	228 101	200 974
Contract assets (accrued revenue)	6 221	2 862	13 486
Bank deposits, cash and similar	164 359	124 696	138 531
Total current assets	1 508 005	656 193	648 198
Total assets	4 744 825	2 408 316	2 616 343
EQUITY AND LIABILITIES			
Paid-in capital	1 265 237	769 709	773 803
Other equity	896 385	692 017	766 260
Total equity	2 161 622	1 461 726	1 540 063
Interest-bearing long-term liabilities	1 299 917	447 327	516 163
Lease liabilities	260 407	0	0
Other non-current liabilities	210 087	128 305	121 621
Total non-current liabilities	1 770 410	575 632	637 784
Interest-bearing current liabilities	0	2 940	5 769
Lease liabilities short-term	48 415	0	0
Contract liabilities (incl. prepayments from customers)	104 552	30 816	47 185
Other current liabilities	659 826	337 203	385 543
Total current liabilities	812 792	370 958	438 496
Total liabilities	2 583 203	946 590	1 076 280
Total equity and liabilities	4 744 825	2 408 316	2 616 343

CONDENSED CASH FLOW STATEMENT	30.09.2019	30.09.2018	31.12.2018
(NOK 1 000)			
Profit before tax	106 940	126 178	168 727
Depreciation and write-downs	176 989	58 370	94 318
Change in net working capital	-251 239	-150 391	-108 444
Net cash flow from operations	32 690	34 157	154 601
Net cash flow from investment activities	-1 188 991	-72 032	-224 920
Net cash flow from financing activities	1 142 273	-7 137	32 060
Net change in cash and cash equivalents	-14 029	-45 012	-38 258
Net currency exchange differences	3 581	-1 897	4 204
Cash and cash equivalents at start of period	138 531	171 605	171 605
Cash and cash equivalents acquisition	36 275	0	980
Cash and cash equivalents at end of period	164 359	124 696	138 531
Available unused credit facility	784 223	555 075	1 568 751

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 01.01.2018	16 663	-117	727 639	16 888	87 847	563 521	1 412 441
Implementation of IFRS 15						2 204	2 204
New 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	0	-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
Balance 01.01.2018	16 663	-117	727 639	16 888	87 847	563 521	1 412 441
Implementation of IFRS 15						2 204	2 204
New balance 01.01.2018	16 663	-117	727 639	16 888	87 847	565 725	1 414 645
Profit/loss after tax						141 462	141 462
Other income and expenses					38 740	-605	38 135
Dividends						-49 639	-49 639
Share-based payment				12 850		13 285	26 135
Movement in own shares		-120				-30 556	-30 676
Balance 31.12.2018	16 663	-237	727 639	29 738	126 587	639 673	1 540 063
Balance 01.01.2019	16 663	-237	727 639	29 738	126 587	639 673	1 540 063
Profit/loss after tax						96 645	96 645
Other income and expenses					31 520		31 520
Share-based payment				14 223			14 223
Movement in own shares		39				1 961	2 000
Increase share capital	1 666		475 505				477 172
Balance 30.09.2019	18 329	-197	1 203 145	43 960	158 107	738 279	2 161 622

On 27 February 2019 the Company issued 16,662,780 new shares in a private placement at the price of NOK 29.60 per share. The increase in share capital is presented net after transaction costs.

BUSINESS SEGMENT DATA	30.09.2019	Q3 2019	30.09.2018	Q3 2018	31.12.2018
(NOK 1 000)					
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
AGILITY FUEL SOLUTIONS					
Sales of goods external customers	1 289 084	407 567	NA	NA	NA
Sales of services and funded development	0	0	NA	NA	NA
Internal transactions	15 380	2 899	NA	NA	NA
Total revenue from contracts with customers	1 304 464	410 466	NA	NA	NA
Segment operating profit before depreciation (EBITDA)	128 351	36 748	NA	NA	NA
Segment operating profit (EBIT)	45 251	8 648	NA	NA	NA
Segment assets	2 839 490		NA	NA	NA
Segment liabilities	555 634		NA	NA	NA
HEXAGON PURUS (HYDROGEN & CNG LDV)					
Sales of goods external customers	311 438	104 453	158 545	42 459	229 421
Sales of services and funded development	26 909	3 802	31 641	9 342	48 153
Internal transactions	79 161	42 322	12 967	1 225	15 789
Total revenue from contract with customers	417 509	150 577	203 153	53 026	293 363
Segment operating profit before depreciation (EBITDA)	-21 348	-5 117	-49 391	-28 133	-48 819
Segment operating profit (EBIT)	-55 739	-16 801	-69 089	-34 862	-90 595
Segment assets	943 169		707 913		782 716
Segment liabilities	947 174		712 180		716 795

BUSINESS SEGMENT DATA	30.09.2019	Q3 2019	30.09.2018	Q3 2018	31.12.2018
(NOK 1 000)	Unaudited	Unaudited	Unaudited	Unaudited	Audited
HEXAGON MOBILE PIPELINE & OTHER					
Sales of goods external customers	343 040	120 599	335 725	72 514	551 655
Sales of services and funded development	42 892	16 476	13 306	3 058	21 200
Internal transactions	21 582	3 255	17 409	5 954	22 439
Total revenue from contract with customers	407 514	140 330	366 440	81 526	595 294
Rental income	8 154	1 486	0	0	342
Total revenue	415 667	141 815	366 440	81 526	595 636
Segment operating profit before depreciation (EBITDA)	33 210	15 195	21 196	-3 062	48 711
Segment operating profit (EBIT)	11 229	7 774	9 115	-7 211	31 870
Segment assets	700 784		283 384		370 893
Segment liabilities	1 095 069		739 398		906 308
HEXAGON RAGASCO LPG					
Sales of goods external customers	453 253	116 224	520 745	149 853	634 281
Sales of services and funded development	52	1	1 611	511	2 079
Internal transactions	6 422	1 572	5 836	1 809	8 348
Total revenue from contract with customers	459 727	117 796	528 192	152 172	644 708
Segment operating profit before depreciation (EBITDA)	69 679	11 962	120 200	22 135	133 300
Segment operating profit (EBIT)	43 372	3 026	101 815	15 865	108 560
Segment assets	461 069		436 962		403 254
Segment liabilities	321 642		258 171		301 184

NOTES

NOTE 1: INTRODUCTION

The condensed consolidated interim financial statements for third quarter 2019, which ended 30 September 2019, 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 2018.

For a more detailed description of accounting principles see the consolidated financial statements for 2018.

The accounting principles used in the preparation of these interim accounts are the same as those applied to the consolidated financial statements for 2018, except for the adoption of new standards effective as of 1 January 2019. 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 16 Leases. 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 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 October 2019.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The prior year figures were not adjusted. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. As part of the initial application of IFRS 16, the Group decided to apply the relief option, which permits to adjust the right-of-use asset by the amount of any provision for onerous leases recognized in the balance sheet immediately before the date of initial application. In addition, The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease) is as follows (NOK 1 000):

ASSETS

Right-of-use assets	251 791
Property, plant & equipment	-7 798
Total assets	243 993

LIABILITIES

Lease liabilities IFRS 16	244 709
Other current liabilities	-716
Total liabilities	243 993

Agility was acquired 4 January 2019 and their right-of-use assets and lease liabilities are not included.

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased item was not capitalized and the lease payments were recognized as other operating expenses in profit or loss on a straight-line basis over the lease term. Any prepayments were recognized under Trade payables and other current liabilities. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

• Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

• Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of NOK 251 791 thousand were recognized and presented separately in the statement of financial position. This includes the lease assets recognized previously under finance leases of NOK 7 798 thousand that were reclassified from Property, plant and equipment.
- Additional lease liabilities of NOK 244 709 thousand presented as lease liabilities were recognized.
- Provision for onerous contracts for a specific leasing contract on NOK 716 thousand were derecognized from other current liabilities and correspondingly adjusted towards the right-of-use asset.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

• Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

• Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of future lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase

option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below NOK 50 000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

c) Amounts recognized in the statement of financial position and profit or loss IFRS 16.53

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period (NOK 1 000):

	RIGHT-OF-USE ASSETS	LEASE LIABILITIES ¹
As at 1 January 2019	251 791	250 478
Additions	87 431	92 133
Depreciation expense	-40 201	0
Interest expense	0	6 443
Payments	0	-40 233
As at 30 September 2019	299 021	308 822

1) Lease liabilities NOK 308 822 comprise of long-term lease liabilities NOK 260 407 and short-term lease liabilities NOK 48 415. Lease liabilities includes interest disclosed within current liabilities.

NOTE 2: INTEREST-BEARING DEBT

The following shows material changes in interest-bearing debt during 2019 (NOK 1 000):

	LONG-TERM BANK LOAN	BOND LOAN	SHORT-TERM LOAN	TOTAL INTEREST- BEARING DEBT
Balance 01.01.2019	516 163	0	5 768	521 931
Secured bank loans	-326 249	0	4 143	-322 106
Bond HEX	0	1 100 000	0	1 100 000
Other loans	0	0	-3 932	-3 932
Balance 31.03.2019	189 914	1 100 000	5 979	1 295 893
Secured bank loans	1 244	0	-5 651	-4 407
Bond HEX	0	0	0	0
Balance 30.06.2019	191 158	1 100 000	328	1 291 486
Secured bank loans	8 758	0	-328	8 430
Bond HEX	0	0	0	0
Balance 30.09.2019	199 917	1 100 000	0	1 299 917

The loan financing facility is a Senior Secured bilateral facility with DNB Bank. The overall size of the facility is NOK 1 billion, comprising a main multi-currency revolving credit and overdraft facility of NOK 600 million and an optional ancillary facility of NOK 400 million. Movements in 2019 on the bank loans were primarily due to refinancing of debt or foreign exchange translation differences.

The unsecured bond for NOK 1 100 million was issued to complete the long-term financing of the Agility transaction. The bond is in process of being listed on the Oslo Stock Exchange.

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

NOTE 3: ACQUISITION OF AGILITY FUEL SOLUTIONS IN 2019

With effect from 4 January 2019 Hexagon Composites acquired the remaining 50% of the shares of Agility Fuel Solutions and its subsidiaries. Agility Fuel Solutions is reported as a separate segment in the Hexagon Group from the acquisition date.

Agility has production facilities in Salisbury, North Carolina, Lincoln, Nebraska and Fontana, California (US) and Raufoss (Norway) with technology centers in Lincoln, Nebraska and Wixom, Michigan (US) and Kelowna, British Columbia (Canada). Agility maintains sales offices in North America, South America, India, the United Kingdom and Norway. The Agility Group reports financial results as a separate business area, fully consolidated into Hexagon's accounts.

The fair value of the identifiable assets and liabilities of Agility Group as at the date of acquisition were:

AGILITY FUEL SOLUTIONS	FAIR VALUE RECOGNIZED ON ACQUISITION
(NOK 1 000)	
ASSETS	
Property, plant and equipment	449 858
Intangible assets	508 415
Cash	36 275
Inventories	347 781
Deferred tax assets	24 013
Trade accounts receivable	350 813
Other current assets	28 935
Total assets	1 746 091
LIABILITIES	
Long term liabilities	81 676
Short term liabilities	306 987
Deferred tax liabilities	119 421
Total equity and liabilities	508 084
Net identifiable assets and liabilities at fair value	1 238 007
Goodwill*	910 926
Purchase consideration	2 148 933
50% Purchase consideration transferred / Paid in cash	1 074 467
ANALYSIS OF CASH FLOWS ON ACQUISITION:	
Net cash acquired with the subsidiary	36 275
Cash paid	-1 074 467

* Additional clarifications of the purchase price allocation are required. Therefore, there may be subsequent adjustments with corresponding adjustment to goodwill prior to 4 January 2020 (1 year after the transaction).

The fair value of the Agility Group was NOK 2 149 million of which Hexagon Composites ASA Group's 50% share was NOK 1 074 million. According to IFRS, excess value related to Hexagon Composites ASA Groups 50% share as of 4 January 2019 is presented as gain in a separate line in the financial statements included in operating profit. The net accounting gain was MNOK 69.4 after transaction costs of MNOK 16.4.

In the Group's profit for 2019, Agility Group is included from the acquisition date.

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the Agility Group with the Hexagon Group. The goodwill is not deductible for income tax purposes.

Transaction costs of NOK 16.4 million are part of operating cash flows in the statement of cash flows.

NOTE 4: 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 2018.

NOTE 5: SHARE-BASED PAYMENTS

1 April 2016 Hexagon Composites ASA issued 925,000 call options to senior executives and managers in the Group at NOK 20 per share. These options were fully exercised during the first quarter 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. 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.

12 April 2019 Hexagon Composites ASA provisionally awarded 2,492,438 Performance Share Units (PSUs) to senior executives management in the Group. The PSUs are non-transferable and will vest on 11 February 2022 subject to satisfaction of the applicable vesting conditions. The actual number of PSUs to be allocated will depend on 2019 performance and attain minimum zero and maximum 2,492,438. Each vested PSU will give the holder the right to receive one share in the Company at an exercise price corresponding to the par value of the shares being NOK 0.10.

26 September 2019 Hexagon Composites ASA issued 49,994 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, PSUs 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 these programs were NOK 15.1 million YTD 30 September. The cost in the third quarter were NOK 5.3 million. The fair value of all outstanding share options (2,800,000), PSUs (2,492,438) and RSUs (149,994) is estimated to NOK 47.0 million per 30 September 2019.

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

NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE

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

KEY FIGURES GROUP

KEY FIGURES GROUP	30.09.2019	30.09.2018	31.12.2018
EBITDA in % of operating revenue	10.6 %	16.9 %	15.8 %
EBIT in % of operating revenue	3.4 %	11.4 %	9.4 %
EBITDA ⁴ (rolling last 4 quarters) / Capital Employed %	10.6 %	11.5 %	11.4 %
EBIT ⁴ (rolling last 4 quarters) / Capital Employed %	3.9 %	7.4 %	6.8 %
Net working capital / Operating revenue ⁴ (rolling last 4 quarters) %	28.3%	21.7 %	16.2 %
Interest coverage I ¹⁾	3.0	19.9	18.3
Interest coverage II ²⁾	6.3	31.3	24.0
NIBD / EBITDA ⁴ (rolling last 4 quarters)	3.1	1.5	1.6
Equity ratio	45.6 %	60.7 %	58.9 %
Equity / Capital employed	62.3 %	76.5 %	74.7 %
Return on equity (annualised)	7.0 %	11.0 %	9.6 %
Total return (annualised)	5.8 %	7.4 %	7.1 %
Liquidity ratio I	1.9	1.8	1.5
Liquidity reserve (NOK 1 000) ³⁾	948 582	679 770	1 568 751
Liquidity reserve ³⁾ / Operating revenue ⁴ (rolling last 4 quarters) %	28.6 %	47.9 %	105.5 %
Earnings per share (NOK)	0.56	0.72	0.86
Diluted earnings per share (NOK)	0.63	0.76	0.92
Cash flow from operations per share (NOK)	0.19	0.21	0.94
Equity per share (NOK)	11.79	8.77	9.24

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

4) Unaudited proforma estimates used for Agility in 2018

KEY FIGURES SEGMENTS

KEY FIGURES SEGMENTS	30.09.2019	30.09.2018	31.12.2018
AGILITY FUEL SOLUTIONS			
EBITDA in % of operating income	9.8 %	NA	NA
EBIT in % of operating income	3.5 %	NA	NA
HEXAGON PURUS (HYDROGEN & CNG LDV)			
EBITDA in % of operating income	-5.1 %	-24.3 %	-16.6 %
EBIT in % of operating income	-13.4 %	-34.0 %	-30.9 %
HEXAGON MOBILE PIPELINE & OTHER			
EBITDA in % of operating income	8.0 %	5.8 %	8.2 %
EBIT in % of operating income	2.7 %	2.5 %	5.4 %
HEXAGON RAGASCO LPG			
EBITDA in % of operating income	15.2 %	22.8 %	20.7 %
EBIT in % of operating income	9.4 %	19.3 %	16.8 %

SHAREHOLDER INFORMATION

A total of 30,907,607 (6,736,851) shares in Hexagon Composites ASA (HEX.OL) were traded on Oslo Børs (OSE) during third quarter 2019. The total number of shares in Hexagon Composites ASA at 30 September 2019 was 183,290,648 (par value NOK 0.10). In the quarter, the share price moved between NOK 24.55 and NOK 39.65, ending the quarter on NOK 29.60. The price at 30 September gave a market capitalization of NOK 5,425.4 million for the company.

20 LARGEST SHAREHOLDERS PER 28 OCTOBER 2019	NUMBER OF SHARES	SHARE OF 20 LARGEST	SHARE OF TOTAL	TYPE	COUNTRY
mitsui & co ltd	45,833,321	32.69%	25.01%	Ordinary	JPN
FLAKK ROLLON AS	27,340,504	19.50%	14.92%	Ordinary	NOR
MP PENSJON PK	13,182,072	9.40%	7.19%	Ordinary	NOR
CLEARSTREAM BANKING S.A.	10,274,315	7.33%	5.61%	Nominee	LUX
BRØDR. BØCKMANN AS	9,000,000	6.42%	4.91%	Ordinary	NOR
ODIN NORGE	5,317,340	3.79%	2.90%	Ordinary	NOR
NØDINGEN AS	5,000,000	3.57%	2.73%	Ordinary	NOR
VERDIPAPIRFONDET ALFRED BERG GAMBA	3,669,963	2.62%	2.00%	Ordinary	NOR
LANNEBO SMÅBOLAG	3,100,000	2.21%	1.69%	Ordinary	SWE
SWEDBANK ROBUR SMABOLAGSFOND	2,740,000	1.95%	1.49%	Ordinary	SWE
SKANDINAVISKA ENSKILDA BANKEN AB	2,060,935	1.47%	1.12%	Ordinary	SWE
HEXAGON COMPOSITES ASA	1,974,882	1.41%	1.08%	Ordinary	NOR
VERDIPAPIRFONDET ALFRED BERG NORGE	1,796,365	1.28%	0.98%	Ordinary	NOR
EIKA SPAR VPF	1,485,171	1.06%	0.81%	Ordinary	NOR
VERDIPAPIRFONDET NORDEA KAPITAL	1,388,265	0.99%	0.76%	Ordinary	NOR
FLAKK INVEST AS	1,300,000	0.93%	0.71%	Ordinary	NOR
VERDIPAPIRFONDET ALFRED BERG AKTIV	1,257,612	0.90%	0.69%	Ordinary	NOR
OHMAN SWEDEN MICRO CAP	1,232,542	0.88%	0.67%	Ordinary	SWE
EIKA NORGE	1,159,820	0.83%	0.63%	Ordinary	NOR
VERDIPAPIRFONDET NORDEA AVKASTNING	1,099,602	0.78%	0.60%	Ordinary	NOR
Total 20 largest shareholders	140,212,709	100.00%	76.50%		
Remaining	43,077,939		23.50%		
Total	183,290,648		100.00%		

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 29 October 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



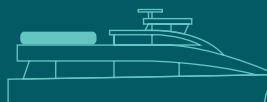
Heavy-Duty Trucks



Distribution



Ground
storage



Marine



Rail

MOBILE PIPELINE



Distribution



Hexagon MasterWorks



Hexagon Digital Wave

OTHER

AGILITY FUEL SOLUTIONS



Heavy-Duty Trucks



Transit Buses



Refuse Trucks

HEXAGON RAGASCO

Leisure activities,
household and
industrial
applications

