HEXAGON COMPOSITES

ANNUAL REPORT 2014

CONTENTS

"A strong financial position combined with technological leadership, commercial expertise and highly motivated and skilled workforce make us well positioned to take advantage of growth opportunities.

REINFORCING OUR LEADING GLOBAL POSITION

257
MNOK

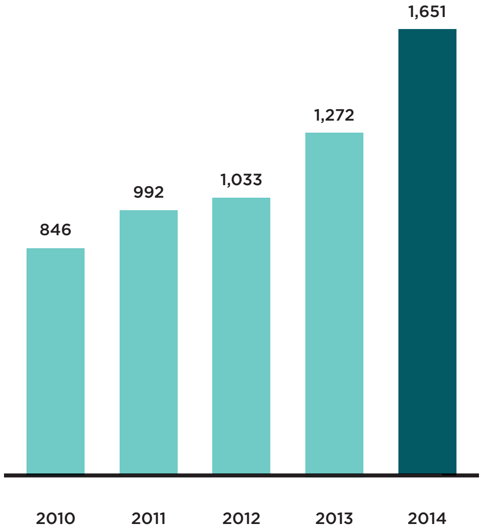
Underlying EBIT of 2014 increased by 81% from previous year to NOK 257 million.

1,651
MNOK

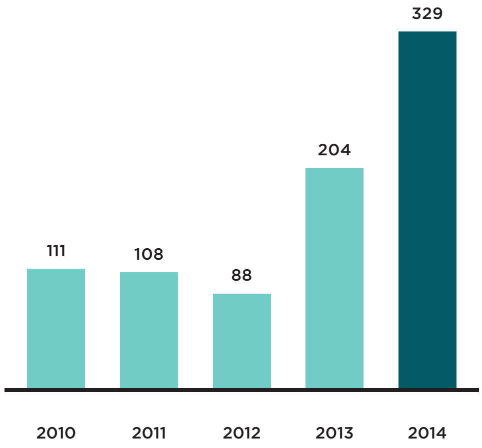
In 2014 operating income increased 30% driven by record activity in our core business segments.

KEY FIGURES

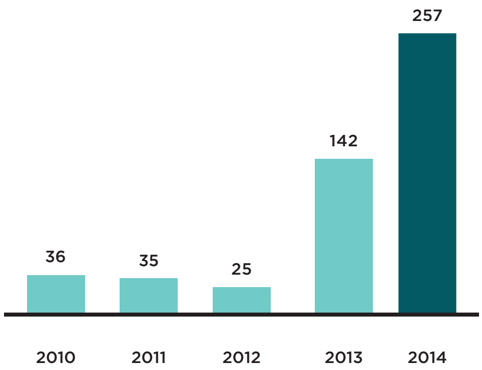
OPERATING INCOME MNOK



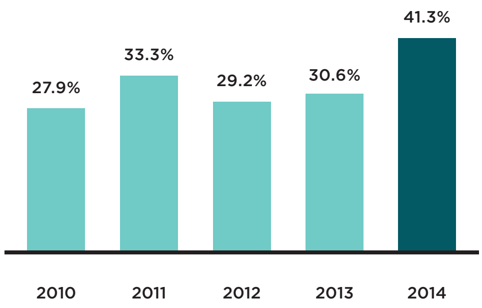
EBITDA MNOK



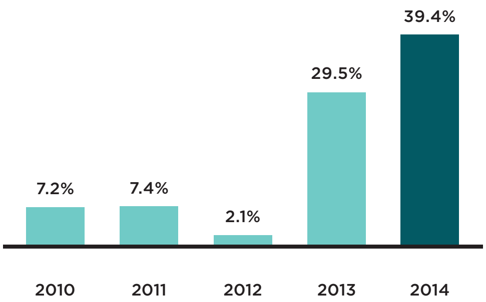
EBIT MNOK



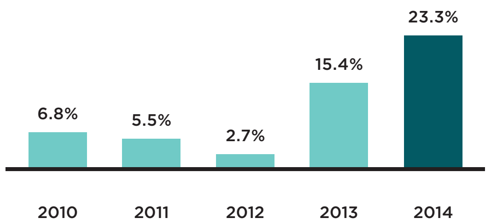
EQUITY RATIO %



RETURN ON EQUITY %



TOTAL RATE OF RETURN %



Consolidated figures for 2013-2014 from continuing operations.
Consolidated figures for 2012 and previous years as previous reported.

KEY FIGURES

(NOK)

REVENUES AND PROFIT	2014	2013	2012	2011	2010
Operating income	1 650 829	1 271 621	1 032 984	991 791	845 974
Operating profit before depreciation (EBITDA)	329 151	204 362	87 799	108 048	111 241
Operating profit (EBIT)	256 788	142 064	24 587	35 307	36 207
Profit before tax	237 419	128 443	8 241	28 357	27 254
Profit after tax	164 672	89 643	5 447	19 063	18 298
CAPITAL 31.12					
Total assets	1 179 615	1 137 346	887 971	796 606	908 099
Equity	487 109	348 564	259 488	264 898	253 580
Equity ratio (1)	41.3 %	30.6 %	29.2 %	33.3 %	27.9 %
PROFITABILITY AND RATE OF RETURN					
Cash flow from operations	195 266	163 200	116 295	117 360	41 834
Operating margin (2)	15.6 %	11.2 %	2.4 %	3.6 %	4.3 %
Return on equity (3)	39.4 %	29.5 %	2.1 %	7.4 %	7.2 %
Total rate of return (4)	23.3 %	15.4 %	2.7 %	5.5%	6.8 %
NIBD/EBITDA (5)	0.3	1.1	3.2	3.1	3.6
SHARES					
Share capital	13 329	13 329	13 329	13 329	13 329
Total number of shares per 31.12	133 294 868	133 294 868	133 294 868	133 294 868	133 294 868
Earnings per share (6) (NOK)	1.24	0.67	0.04	0.14	0.14
Cash flow per share (7) (NOK)	1.47	1.23	0.87	0.88	0.31
Equity per share (8) (NOK)	3.65	2.61	1.95	1.99	1.90

Consolidated figures for 2013-2014 from continuing operations.
Consolidated figures for 2012 and previous years as previous reported.

DEFINITION OF KEY FIGURES

1) Shareholders' equity as a percentage of total assets.
2) Operating profit as a percentage of operating income.
3) Profit after tax divided by average shareholders' equity.
4) Profit before tax + interest expense divided by average total assets.
5) Net interest-bearing debt devided by EBITDA.
6) Net profit for the year divided by average number of shares outstanding.
7) Net cash flow from operations divided by average number of shares outstanding.
8) Shareholders' equity divided by average number of shares outstanding.

ANOTHER YEAR OF PROFITABLE GROWTH

Hexagon Composites has reinforced its leading position in the global market for composite pressure cylinders. Positive market developments, together with targeted initiatives have generated increased volumes and enabled us to focus on further operational improvements. It is a pleasure to present another year of profitable growth and the best year so far in the history of the Group. Looking forward, the fundamental drivers for the business remain strong with new exciting opportunities.

ROBUST BUSINESS DRIVERS

The rapid increase in the use of Compressed Natural Gas (CNG) for fuel worldwide over the last several years has resulted in strong, long-term growth trends in our markets. We believe that the fundamental market drivers remain robust despite the recent volatility in oil prices.

The shale gas revolution in North America continues to be the most important development driving growth for our business. Low and stable gas prices provide substantial cost savings compared to traditional fuels, in particular for heavy-duty vehicles with high fuel consumption and extensive use. Despite a significant decline in oil prices in the past several months, price differences between natural gas and alternative fuels remain favorable. We expect a healthy adoption rate to natural gas engines in the medium term reinforced by environmental considerations.

An increase in the use of alternative energy sources is driving demand for innovative transportation and storage solutions. One of our largest business units is gas distribution products, primarily our TITAN™ modules. Light weight and high storage capacity make TITAN™ highly effective in areas without a pipeline network. This enables the use of natural gas in new ways including high volume, high horse power applications such as fuel for fracking installations and drilling rigs in addition to various industrial and municipal applications. During the year we launched the new TITAN™ XL; the largest CNG trailer of its kind. The new system increases capacity and reduces weight and has generated new orders since its introduction. We are excited about the opportunities for global growth in 2015 in this relatively new and dynamic market segment.

The European market for gas-powered passenger vehicles was relatively strong in the first half of 2014, but developments were below expectations for the year as a whole. However, the outlook remains positive with several new gas-powered vehicle models expected to be launched in the next few years. In 2014, we were nominated by a major car manufacturer to supply fuel cylinders for their new vehicle models from 2017 onwards.

Major car manufacturers are also driving the development of fuel cell technologies as an alternative to electric powered engines with new models planned to be launched from 2015 onwards. Our high-pressure cylinders are at the forefront of developments relating to hydrogen technology. We are well positioned to capture opportunities in supplying the storage, transportation and fuel cylinders necessary to turn these developments into commercial reality.

LPG is a relatively clean burning, lower carbon and efficient energy source. We are the market leader in terms of cost and quality within this segment. Although steel cylinders currently dominate the markets, these products are susceptible to corrosion, especially in areas with high levels of humidity, affecting the safety and useful life of the cylinders. Because composite cylinders offer significant benefits in terms of safety and durability, there are major LPG markets outside Europe where our products are competitive. In 2014, targeted initiatives resulted in major new orders in Qatar and Iraq as well as several smaller orders in other international markets. These orders have enhanced our marketing and commercial expertise and strengthened our competitive position in these markets. Increasing our market penetration in new regions is a priority going forward.

OPERATIONAL ENHANCEMENTS

Securing sufficient capacity to take advantage of the growing market demand is a key strategic objective. In 2014, we commissioned phase 1 of our TUFFSHELL® high pressure fuel cylinder expansion program which has doubled our production capacity compared to 2013. Commissioning of phase 2 is planned for the second half of 2015 with ramp-up to full production by the end of the year. The new line is based on advanced technology including several important process innovations. Following completion, a new TUFFSHELL® line will be fully operational with a further doubling of production capacity compared to 2013. We expect that our expansion program will provide sufficient capacity to cover continued growth in market demand throughout 2015 and beyond.

In 2014, we concluded a joint venture agreement with Agility Fuel Systems, a leading producer of natural gas fuel systems for heavy duty vehicles, to enhance our combined position within the growing market in North America. We expect that the agreement will enable us to deliver higher volumes of innovative products in a cost effective manner.

We strive to achieve high capacity utilization and stable production to ensure efficient, cost effective operations. During the year, our low pressure cylinder facility in Raufoss, Norway operated 24/7. Capacity utilization has been satisfactory during the year and was very high in the second half of the year influenced by long production runs and a continued focus on productivity improvements. Our strategy to diversify and grow our business outside of our core European markets also enabled us to improve capacity utilization partly offsetting seasonally lower European volumes in the second half of the year.

SECURING OUR FUTURE

Innovation, ambition and expertise are critical success factors for our business. We have allocated more resources toward business and product development at corporate and business area levels.

Product and process innovation and modern, efficient production are core competitive strengths underlying our global leadership in niche markets. Differentiation through innovation is an important way to grow our market share and margin contribution.

In 2014 we acquired the main assets of MasterWorks, specialized in providing design and manufacturing solutions for the composites industry. The acquisition enhances the Group's technology leadership and manufacturing robustness, providing additional capabilities for further expansions.

Environmental considerations will be increasingly important going forward. Hydrogen is an energy carrier emitting no greenhouse gases in use. Pressure cylinders for storing hydrogen are some of the most future-oriented products Hexagon Composites is working with, and we are involved in a number of public and private sector development projects.

Our financial position is strong, including a favorable cash position. This, combined with our technological leadership, commercial expertise and highly motivated and skilled workforce mean that we are well positioned to take advantage of growth opportunities.

As we look forward to an exciting future for the Group, I express my thanks for the strong performance of our organization and cooperation of our shareholders and other key stakeholders during 2014.

“The shale gas revolution in North America continues to be the most important development driving growth for our business.

Jon Erik Engeset
Group President

IMPORTANT EVENTS IN 2014

Q1

THE MARKET	• Large CNG automotive order intake.
PRODUCTION	• Program for doubling TUFFSHELL® capacity (Phase 1) compared to 2013 commissioned. Ramp-up of production continued throughout the year.
DIVESTMENT	• Hexagon Devold (composite reinforcements) sold to Saertex GmbH & Co. KG.
ANNUAL PROFIT 2013 PRESENTED	• Restated operating income increased 49% from 2012 to NOK 1,271.6 million. • Restated EBIT was NOK 142.1 million and profit after tax was NOK 89.6 million.

Q2

THE MARKET	• Two new large orders from Qatar and Iraq for LPG cylinders from Hexagon Ragasco. Total value approximately NOK 186 million. • Introduction of TITAN™ XL by Hexagon Lincoln, the largest CNG trailer of its kind. • New orders of approximately NOK 71 million for TITAN™ modules from Hexagon Lincoln to serve as mobile pipelines in North America.
M&A	• Joint venture agreement between Hexagon Lincoln and Agility Fuel Systems.
DIVIDEND	• Dividend of NOK 0.33 per share paid for 2013.

Q3

THE MARKET	• Hexagon Raufoss nominated by major car manufacturer to supply fuel cylinders for an expected total value of NOK 500 million. First deliveries targeted for the beginning of 2017, with the program scheduled to continue up to 7 years. • Gas Distribution Products (Mobile Pipeline™) orders of approximately NOK 129 million received by Hexagon Lincoln.
PRODUCTION	• Strong capacity utilization for Low Pressure Cylinders operating segment.

Q4

THE MARKET	• Two large TITAN™ orders from existing clients in North America and Latin America received by Hexagon Lincoln. Approximate value NOK 138.7 million.
PRODUCTION	• Continued strong capacity utilization for Low-Pressure Cylinders segment.
M&A	• Acquisition of MasterWorks by Hexagon Lincoln securing key technology and enhanced engineering capacity within the High-Pressure Cylinder segment.

Q1 2015

THE MARKET	• Hexagon Lincoln launched new 27-inch cylinder, its largest and lightest tank to date.

BOARD OF DIRECTORS

KNUT FLAKK
Chairman

M.Sc. (BI Norwegian Business School) and MBA (London Business School). Knut Flakk owns the Flakk Group and has extensive experience from establishing, developing and operating industrial companies both in Norway and internationally. He has been the CEO of the Flakk Group since 1996.

Number of shares: 45,047,236

KRISTINE LANDMARK
Deputy Chair

M.Sc. (NHH, Norwegian School of Economics), Managing Director of Slettvold Møbler AS. Kristine Landmark has extensive experience from various management positions within the banking and furniture industries. She is a board member of several corporate groups, companies and associations. Independent board member.

Number of shares: 10,000

MAY BRITT MYHR
Board member

Cand Scient (MSc) in Chemistry (NTNU), independent consultant. May Britt Myhr has extensive experience from oil and gas research and development, including CEO of SINTEF Petroleum Research. She has previous experience as board member of a wide range of boards including OG21, Intsok, Aker Exploration ASA, Sevan Marine ASA and MultiClient Geophysical ASA. Independent board member.

Number of shares: 0

SVERRE NARVESEN
Board member

Civil Engineer, Managing Director of SINTEF Raufoss Manufacturing AS, and Head of Norwegian Centres of Expertise, Raufoss. Sverre Narvesen has 15 years' experience from various management positions at Raufoss ASA. He holds board positions in several industrial companies and has experience developing innovative groups. Independent board member.

Number of shares: 0

TOM VIDAR RYGH
Board member

MBA Norwegian School of Economics and Business Administration, Senior Advisor and partner at Nordic Capital. Tom Vidar Rygh has more than 30 years of experience within finance and industry. He has previous experience as chairman or member of a wide range of boards including Telenor ASA, Oslo Stock Exchange and Storebrand ASA. Independent board member

Number of shares: 50,000

MANAGEMENT

JON ERIK ENGESET
CEO & President

M.Sc. and MBA (NHH), Appointed CEO & President as of August 2013. Previously, Jon Erik Engeset was the CEO of SafeRoad. He has extensive experience from various senior managerial positions at Rolls-Royce and Norsk Hydro.

Number of shares: 420,867

DAVID BANDELE
CFO

Bachelor of Economics from the University of Sheffield, qualified Chartered Accountant (ACA). Appointed CFO as of January 2014. Bandele has held several senior positions in the field of finance and controlling, previously as CFO of Aker Floating Production ASA. He has extensive manufacturing and supply-chain experience from General Electric Healthcare.

Number of shares: 29,545

TORE J. FJELL
Senior Vice President

M.Sc./BA. Tore J. Fjell has extensive experience from various management positions at Elkem and Orkla and as Director of Oslo Stock Exchange with responsibility for listed companies. He has previously been a board member at Hexagon Composites.

Number of shares: 775,131

BUSINESS AREA MANAGERS

JACK SCHIMENTI
Managing Director
High-Pressure Cylinders

Bachelor Degree in Industrial Engineering. Jack Schimenti has been employed at Hexagon Lincoln since 2005 and assumed the position as Managing Director in 2010. He has extensive experience from production processes for composites.

Number of shares: 38,041

SKJALG SYLTE STAVHEIM
Managing Director
Low-Pressure Cylinders

Degree in Business Administration from BI Norwegian Business School. Skjalg Sylte Stavheim has been employed at Hexagon Ragasco since the beginning of 1996 and assumed the position as Managing Director in 2013. He also has experience from Delta Consult, Norbok and Raufoss ASA.

Number of shares: 133,585

The Board of Hexagon Composites from the left: Kristine Landmark, May Britt Myhr, Knut Flakk, Tom Vidar Rygh and Sverre Narvesen.

REINFORCING OUR LEADING GLOBAL POSITION

HIGH-PRESSURE CYLINDERS CNG AND CHG

Hexagon Lincoln, Lincoln, NE, USA

364 employees

16,000 m²

HEXAGON COMPOSITES ASA

Headquarters, Ålesund, Norway

11 employees

HIGH-PRESSURE CYLINDERS CNG AND CHG

Hexagon Raufoss, Hexagon Bus Systems, Raufoss, Norway

53 employees

4,000 m²

LOW-PRESSURE CYLINDERS LPG

Hexagon Ragasco, Raufoss, Norway

119 employees

5,000 m²

LOW-PRESSURE CYLINDERS LPG

Rugasco, Nizhny Novgorod, Russia

18 employees

2,000 m²

- Hexagon Composites administration and production sites
- Sales representatives: Sweden, Denmark, Spain, India, Singapore, Chile and the US

The technology Group Hexagon Composites ASA is a leading global supplier of composite pressure cylinders for gas applications. The most important advantages of our products are light weight, high capacity, a long lifetime and a high level of safety. We are working with leading gas distributors, vehicle manufacturers and system and component suppliers to be at the forefront of our industry. Our ambition is to create value for customers, owners and other key stakeholders by delivering innovative and cost-effective solutions through sustainable business practices.

Hexagon Composites ASA is listed on the Oslo Stock Exchange under the ticker HEX (HEX.OL). Based in Ålesund, Norway, the Group has more than 550 employees and generated NOK 1,651 million in operating income in 2014. Production is carried out in modern, automated plants in Norway and the US.

BUSINESS SEGMENTS

Hexagon Composites is comprised of two focused business segments: High-Pressure Cylinders CNG & CHG and Low-Pressure Cylinders LPG. Our organization structure reflects the characteristics of the market segments, the areas of application and the nature of our products.

HIGH-PRESSURE CYLINDERS CNG & CHG

CNG Automotive – Fuel cylinders for vehicles

Hexagon Composites designs and manufactures high-pressure, composite fuel cylinders for trucks, buses and light-duty vehicles. Our cylinders are mainly used for Compressed Natural Gas (CNG), compressed biogas and Compressed Hydrogen Gas (CHG). Our primary market is North America, in addition to Europe, South America and South East Asia.

Our Type 4 composite cylinders are up to 70% lighter than steel cylinders. This, combined with lower CO2 emission and lower fuel costs of gas powered engines, gives our customers a competitive edge while reducing the environmental impact of their operations.

Heavy-Duty Trucks

Light weight, compact size and superior safety make our TUFFSHELL® cylinders an attractive alternative for the heavy-duty truck market. Our major market is the US where TUFFSHELL® cylinders are installed in class 7 and 8 tractor trailers, refuse collection vehicles, concrete mixers and heavy-duty delivery trucks.

Bus Transit

Modern CNG and biogas buses equipped with roof-mounted TUFFSHELL® systems are currently one of the most efficient, safest and cleanest bus transit alternative available. Our products contribute with superior economic and environmental characteristics. Our major markets are in Europe where more than 80% of gas-powered transit buses use our products and in North America, where they are used in 85% of transit buses.

Light-Duty Vehicles

TUFFSHELL® fuel cylinders are the ideal alternative for light duty vehicles due to the combination of safety, efficiency and durability. They are up to 70% lighter than steel which reduces fuel consumption, extends vehicle range, and provides better stability and handling. Our products are installed in a variety of commercial vehicles, mainly in North America.

OUR VALUES

TRUSTWORTHY
We shall have confidence in the market and a solid reputation among customers and our own employees.

ENTREPRENEURIAL
Creativity and innovation are the backbone of the Group's business operations. We promote cooperation both internally and with partners.

RESPONSIVE
We shall be responsive, proactive and focussed towards our customers, shareholders and partners.

RESPONSIBLE
Hexagon Composites is a Group that takes responsibility both in managing its own resources and the environment in a sustainable manner.

We deliver composite fuel cylinders to major passenger car manufacturers and for certain aftermarket installations. Our products and solutions meet high standards for capacity, light weight, and safety. Europe is the biggest market for fuel cylinders for passenger cars with some deliveries to South East Asia and South America.

Gas Distribution Products - Mobile Pipeline™

Hexagon Composites designs and manufacturers high-pressure composite cylinders and systems for the transportation and storage of CNG, biogas and CHG. The main markets for our products are North America, South America, Europe and South East Asia.

TITAN™ Mobile Pipeline™

Our TITAN™ gas distribution products are designed for bulk transportation of natural gas. Light weight and high storage capacity make this system ideal for customers that require large volumes of gas at a high flow rate, but are not currently served by pipeline. With four times more capacity and up to 75% less weight than steel tubes our cylinders are more economical in use under most conditions. This enables a faster return on the initial investment.

SMARTSTORE™ Mobile Pipeline™

SMARTSTORE™ is our large capacity TUFFSHELL® storage module. This lightweight cylinder is easy to transport by standard trailer equipment. It is ideal for use in areas with under-developed infrastructure, size restrictions, limited storage space and restricted load conditions on surrounding roads. It is also an excellent solution for exchange and tandem operations and onsite refueling in remote or temporary locations.

LOW-PRESSURE CYLINDERS LPG

We design and manufacturer low-pressure composite cylinders for LPG (propane) used for cooking, heating and recreation worldwide, as well as fuel cylinders for forklift-trucks in selected markets. As the world's leading manufacturer of LPG composite cylinders, we have sold over 9 million units worldwide in the last 15 years. We are expanding in Europe, our main market, as well as the Middle East, North America, South America and South East Asia through targeted growth initiatives.

Our state-of-the-art production facilities deliver unique products with many advantages over traditional steel cylinders including light weight, durability, safety and user-friendliness.

A MARKET DRIVEN BY ECONOMIC AND ENVIRONMENTAL CONSIDERATIONS

The rapid increase in the use of natural gas for fuel worldwide over the last several years has resulted in strong, long-term growth trends in our niche markets. Although the recent volatility in oil prices is expected to influence near-term developments, we believe that the fundamental market drivers remain robust.

The shale gas revolution in the US has been the most important driver affecting our business. Access to substantial reserves of natural gas has resulted in significantly lower and more stable prices compared to conventional energy sources. This has led to the increasing use of natural gas to fuel vehicles and electricity production. In Europe, environmental considerations, including governmental legislation, are driving developments. The use of biogas and natural gas for bus transportation is growing along with an increasing interest in building or converting passenger cars and other vehicles to more environmentally friendly fuels. Authorities in Asia and South America are also encouraging the transition from conventional energy to natural gas with lower gas prices.

Hydrogen is perceived to be one of the potentially most important energy carriers that can help meet expected growth in clean energy demand. It emits no greenhouse gases during use. Pressure cylinders for the storage and transportation of hydrogen are some of the most future-oriented products Hexagon Composites is working with and we are involved in a number of development projects.

INNOVATION AND COST-EFFECTIVE PRODUCTION

Product and process innovation and modern, efficient production are core competitive strengths underlying our global leadership. Differentiation through innovation is an important way to grow our market share and margin contribution. We work closely with key market players that sell our products or use them in their own production of cars, buses and commercial vehicles. Highly automated plants drive cost-effective production enabling competitive pricing and profitable operations.

EXPERTISE

Innovation, ambition and expertise are critical success factors for our business. We strive to create a safe and appealing work environment to attract competent, motivated people. We believe that people with different approaches and experience contribute to an innovative and dynamic work environment. We encourage diversity in our hiring practices with a goal to hire people with different backgrounds and the expertise necessary to develop our business. We emphasize involvement to empower individuals and a flat organization structure to ensure visibility enabling employees to develop and thrive.

SOLID EXPERIENCE IN A GROWING MARKET

ORGANIC GROWTH AND ACQUISITION

1999
Flakk Group (formerly Spilka Group) became the principal owner of publicly listed Norwegian Applied Technology ASA in which Comrod (composite antennae) was a central member. The Group changed its name to Hexagon Composites. The business was reorganized and the headquarters moved from Stavanger in Norway to Ålesund.

2000
Hexagon Composites was merged with Devold AMT (composite reinforcements) of which the Flakk Group was the largest owner. The company was listed on the Oslo stock exchange with the aim of acquiring other companies with composite expertise and global potential in niche markets of the industry.

2001
The Group acquired Ragasco, a leader in the development and production of composite cylinders for propane (LPG) based in Raufoss, Norway.

2003
The Group acquired Raufoss Fuel Systems, which supplies high-pressure cylinders for gas-powered buses with a market focus in Europe. This business area was purchased from Raufoss ASA.

SPECIALIZATION AND FOCUS ON CORE ACTIVITIES

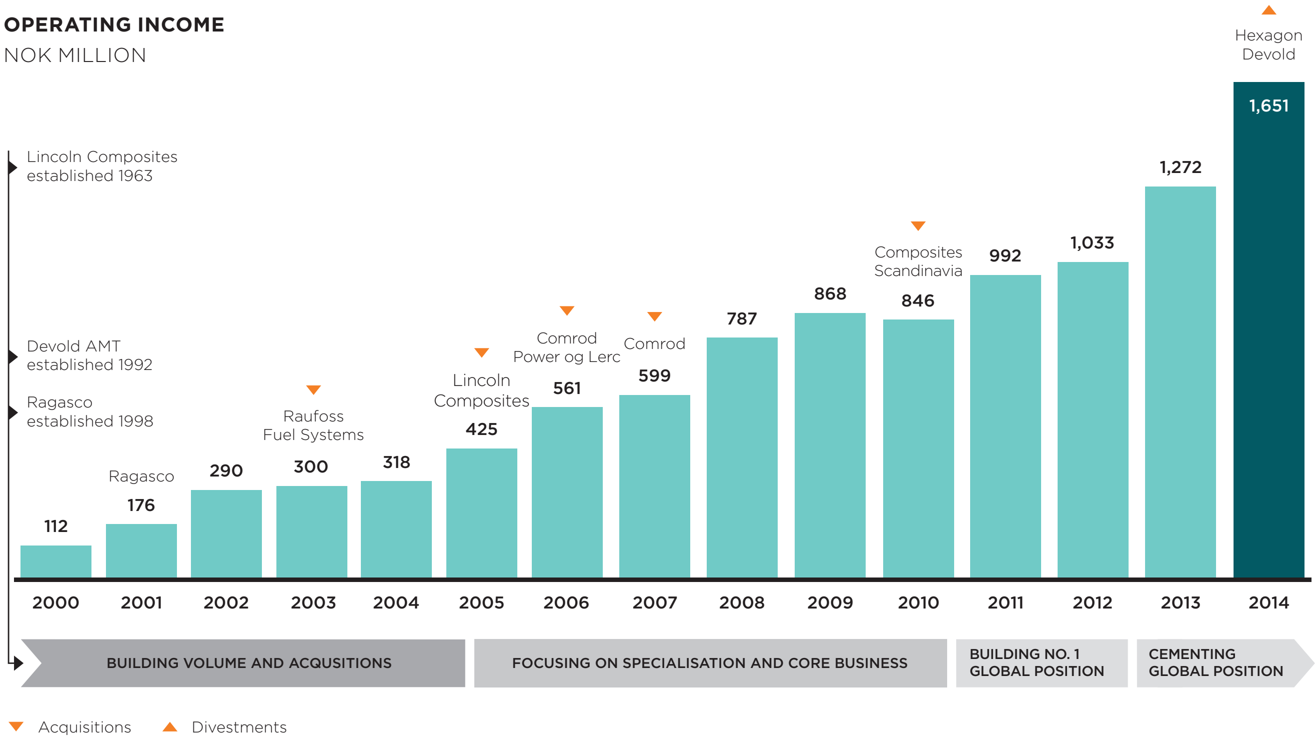
2005
Lincoln Composites, located in Nebraska, USA was acquired from General Dynamics. The company operates in the same business area as Raufoss Fuel Systems, with its main focus on the American and Asian markets.

2006
Comrod Eltek acquired Defence and Lerc to extend its product portfolio. Devold AMT established new production facilities in Lithuania and the USA to exploit the growth in Devold AMT's most important market segment, the wind power industry.

2007
The business area for composite antennae was demerged and listed separately as Comrod Communication ASA.

2009
A new factory with two production lines for high-pressure cylinders was opened in Lincoln.

2010
Ragasco's new production line for LPG cylinders opened in Raufoss. Hexagon acquired Composite Scandinavia, a Swedish company that produced low-pressure LPG cylinders.



Note: Operating revenues for 2012 and previous years as previously reported

BUILDING THE NUMBER 1 GLOBAL POSITION

2012
Remaining production of composite reinforcements in Norway was relocated to the company's factory in Lithuania. The product area CNG passenger car was demerged from Ragasco and merged with Hexagon Raufoss. Production of LPG cylinders at Composite Scandinavia in Sweden was closed down. The production volume was transferred to Raufoss and the production equipment was sold to Russia.

CEMENTING GLOBAL POSITION

2013
Hexagon Composites performed a re-branding and implemented a uniform profile throughout the Group. The joint venture company, Rugasco in Russia, opened a new factory and began production of LPG cylinders for the Russian market.

2014
The Hexagon Devold business area was sold to Saertex GmbH & Co. KG in order to focus the company on further development of the pressure cylinder business. An investment program that will double TUFFSHELL® capacity in Lincoln compared with 2012 levels commenced during the year. The company acquired MasterWorks, securing key technology and enhanced engineering capacity.

HEXAGON LINCOLN AND
HEXAGON RAUFOSS

SUSTAINABLE SOLUTIONS FOR A GROWING GLOBAL MARKET

Hexagon Composites is the global market leader in Type 4 high-pressure composite cylinders for gas transport and storage, and for fuel cylinders for gas-powered vehicles. The most important market driver is the shale gas revolution in North America. Lower natural gas prices have contributed to increased demand for pressure cylinders from gas distributors, vehicle manufacturers and system providers.

KEY FIGURES

(NOK)	2014	2013
Operating income	1 098 337	948 254
EBITDA	216 295	148 937
EBIT	183 940	115 578
EBITDA %	19.7 %	15.7 %
EBIT %	16.7 %	12.2 %

HEXAGON LINCOLN, LINCOLN, NE, USA

364 employees

16,000 m²

TUFFSHELL®
TITAN™
SMARTSTORE™

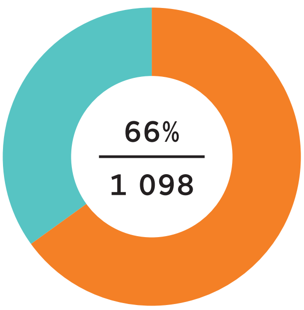
HEXAGON RAUFOSS, RAUFOSS, NORWAY

53 employees

4,000 m²

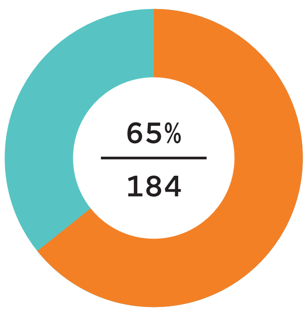
CNG passenger car
TUFFSHELL® bus systems installation

OPERATING INCOME
MNOK



High-Pressure Cylinders

EBIT
MNOK



High-Pressure Cylinders

Our wholly-owned subsidiaries, Hexagon Lincoln and Hexagon Raufoss, design and manufacture high-pressure composite cylinders and gas distribution systems at modern automated facilities in Lincoln (Nebraska, USA) and Raufoss (Norway). Our cylinders are mainly used for the storage and transportation of compressed natural gas (CNG), compressed biogas and compressed hydrogen gas (CHG). Composite cylinders are up to 70% lighter than steel cylinders. This, combined with lower CO2 emissions and lower fuel costs of gas powered engines, make our customers more competitive and reduce the environmental impact of their operations.

STRATEGY

Hexagon Composites intends to remain the global leader in the development, production and sale of Type 4 high-pressure CNG and CHG cylinders. We comply with the strictest safety standards and strive to be at the forefront in terms of sustainability and as the industry's most reliable supplier. We aim to be the preferred partner for new technology and infrastructure cooperating with key players driving innovation within the industry.

Securing sufficient capacity to take advantage of the growing market demand is a key strategic objective. Our TUFFSHELL® capacity expansion program in Lincoln is expected to secure sufficient capacity to meet demand for high-pressure fuel cylinders throughout 2015 and beyond.

OBJECTIVES ACHIEVED IN 2014

- Strong growth in sales and increased market shares
- Implemented two expansion programs at Lincoln to quadruple TUFFSHELL® capacity by 2015
- Established strategic joint venture with Agility Fuel Systems
- Acquired key technology and enhanced engineering capacity through MasterWorks acquisition
- Strengthened the organization capacity and increased experience and expertise.

OPERATING RESULTS

The High-Pressure Cylinder business area achieved record operating income again in 2014 amounting to NOK 1,098.3 million (948.3) which was 16% above the previous year. Strong growth in deliveries of our TITAN™ modules for gas distribution and our TUFFSHELL® fuel cylinders for heavy-duty vehicles in the North American market had significant positive influence on developments for the year. Operating profit (EBIT) was NOK 183.9 million (115.6). Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS

Sales of high-pressure cylinders in North America continued to increase during the first half of 2014 largely due to the launch and initial strong demand of the Cummins Westport 11.9-litre gas engine. However, the natural gas adoption rate declined during second half of the year as a result of lower

HIGH-PRESSURE CYLINDER PRODUCT BRANDS

TITAN™

SEGMENT Gas distribution - for road transport by truck
CUSTOMERS Private and government gas distributors
SYSTEM Module 4-5 TITAN™ tanks, additionally 8-9 TUFFSHELL® tanks
DIMENSION Installed in 40 ft. trailer, or ISO container 30/40 ft.
STORAGE VOLUME 7,400-13,200 scm
TRANSPORT CAPACITY 70-150% greater transport capacity than traditional steel cylinders

SMARTSTORE™

SEGMENT Gas distribution - for road transport where large trailers are not possible
CUSTOMERS Private and government gas distributors
SYSTEM Module: 20-80 TUFFSHELL® tanks
DIMENSION Installed in ISO (compatible) container 10 or 20 feet
STORAGE VOLUME 2,750-11,000 scm
TRANSPORT CAPACITY 70-150% greater transport capacity than traditional steel cylinders

sales of gas powered engines and a reduced price differential between diesel and natural gas. The strong sales following the release of the new engine reflects the initiation of pilot projects by many fleet operators to evaluate conversion to natural gas fuel systems. We expect somewhat slower sales growth until these projects mature with a considerable increase in market demand thereafter.

The recent volatility in oil prices is expected to influence near-term developments within the CNG Automotive segment with a potential negative impact on market demand. However, we believe that the fundamental drivers for our niche markets and our competitive position remain robust.

The introduction of the Euro 6 emissions standards for heavy-duty trucks and buses from January 1 2014 has increased the cost of a diesel-powered bus compared to natural gas. This resulted in a temporary increase in the sale of diesel-powered buses to take advantage of the cheaper, existing engine technology before the new requirements came into effect.

Hexagon Lincoln launched the new TITAN™ XL the largest CNG trailer of its kind. The new system increases capacity and reduces weight. It has generated a substantial amount of new orders since the introduction in the first half of 2014.

TUFFSHELL®

SEGMENT Fuel cylinders for light commercial vehicles, buses, heavier commercial vehicles
CUSTOMERS OEMs and system suppliers for passenger and commercial vehicles
SYSTEM Installed with 2-10 TUFFSHELL® tanks depending on vehicle
DIMENSION Diameter: 178-673 mm (7-27 inches)
Length: 600-3600 mm (24-140 inches)
STORAGE VOLUME 13-780 litres water volume - 3-232 scm
TRANSPORT CAPACITY 70-75% greater transport capacity than traditional steel cylinders

Ramp-up of the Phase 1 TUFFSHELL® capacity expansion continued during the year. The new line, which is based on state-of-the art technology, has doubled capacity compared with 2013 and is expected to provide sufficient capacity to meet expected demand until completion of the Phase 2 expansion at the end of 2015.

In May 2014 Hexagon Lincoln announced an agreement with Agility Fuel Systems to establish a 50/50 joint venture for the supply of high-pressure CNG cylinders and fuel systems to the growing heavy-duty vehicle market in the US.

Hexagon Raufoss was nominated by a major car manufacturer to supply fuel cylinders for their vehicles from 2017 onwards. The cooperation commenced in third quarter 2014 with an initial product development phase. The first deliveries are targeted for the beginning of 2017, and the program is scheduled to run for up to 7 years with an estimated overall delivery value of around NOK 525 million.

Hexagon Lincoln acquired MasterWorks in October 2014, securing key technology and enhanced engineering capacity within the High-Pressure Cylinder segment.

MARKET AND CUSTOMERS

The shale gas revolution in North America continues to be the most important growth driver for our business. Abundant access to natural gas has driven down prices making natural gas significantly cheaper than diesel and gasoline. This has resulted in a substantial increased interest in natural gas to fuel vehicles and for producing electrical power and process heat. The environmental benefits of natural gas remain attractive to large companies and fleet operators to meet voluntary or mandatory reductions in CO_2 and other harmful emissions.

Low natural gas prices in North America have provided substantial cost savings compared to traditional fuels, in particular for high horsepower applications and heavy-duty vehicles with high fuel consumption and extensive use. Fuel is one of the largest cost components for truck operators. Converting to natural gas can reduce operating costs significantly and offset the cost of converting heavy-duty vehicles over a relatively short period of time. However, this is dependent on price developments for alternative fuels.

Oil prices have been volatile, declining significantly in the last several months. This has reduced the potential cost savings and increased the time required to recover conversion costs, in particular for the US heavy-duty truck sector. The potential impact for the transit bus and refuse truck market is limited, however, as reduced emissions is the primary driver for these segments. Developments within the gas distribution market segment have been unaffected for now. While the rate of conversion to natural gas fuel within oil and gas operations may decline, long term price differentials continue to motivate industrial users to change fuels. Demand for our products remains strong at present, and the time required for our customers to recover investments continues to be favorable.

High-Pressure Cylinders for CNG & CHG

PRODUCT ADVANTAGES

LIGHT-WEIGHT
Our composite cylinders weigh up to 70% less than steel cylinders. This is important for the vehicle's stability.

CORROSION-RESISTANT
The cylinders do not rust. This is decisive for lifespan and safety.

BETTER FUEL ECONOMY
Lower combined weight and greater storage capacity give better fuel economy.

OPERATIONAL EFFICIENCY
Greater economic efficiency through less maintenance and lower fuel consumption.

Gas Distribution Products - Mobile Pipeline™

High Pressure Cylinders' strongest growth in 2014 came from Mobile Pipeline™, primarily our TITAN™ modules, the market's largest cylinder for transporting CNG. Light weight and high storage capacity make the TITAN™ module highly effective in areas without a pipeline network.

Our principal markets for these systems are North America and Latin America. We received several large orders during the year, from these regions. There is also strong market interest in Southeast Asia. Due to economic developments in Russia, both our TITAN™ and SMARTSTORE™ sales to this market have declined.

Transport of large amounts of gas by road is subject to strict national approval requirements. TITAN™ has been approved and put into use in Southeast Asia, North and South America, and Russia. We are presently engaged in supporting new regulatory standards allowing large cylinders such as TITAN™ for use in Europe. Currently, we sell our SMARTSTORE™ modules in Europe, which are composed of smaller cylinders. These modules are primarily used for transporting biogas in Scandinavia.

One of the strongest growth opportunities for Gas Distribution Products going forward is high horse power installations at oil and gas fields. Our Mobile Pipeline™ can deliver the high flow, high volume requirements necessary for fueling of fracking installations, drilling rigs and pond heating, in addition to industrial, municipal, marine and train applications. Capturing flare gas is another interesting application where our cylinders can add value for our customers.

The European gas transportation market continues to develop due to growing interest in biogas. Biogas has also gained momentum in Southeast Asia and Latin America. In general, the global market for Mobile Pipeline™ is dependent upon strong demand for natural or biogas in combination with an infrastructure allowing delivery of this gas beyond the pipeline. Market demand may therefore differ from year to year in the various regions.

CNG AUTOMOTIVE - FUEL CYLINDERS FOR VEHICLES

Heavy-duty vehicles

The North American pressure cylinder market for heavy-duty vehicles experienced strong growth in the first half of the year, partly driven by the launch of the Cummins Westport's 11.9-litre natural gas engine in the third quarter of 2013. Our cylinders are mainly used for Class 7 and 8 vehicles, which include tractor-trailers, refuse collection vehicles and concrete mixers. The CNG adoption rate is expected to remain stable compared with the 2014 level.

Bus Transit

Our roof-mounted bus systems are the market leaders in the US and Europe. There has been steady growth in this market for a number of years due to an increasing focus on promoting environmentally friendly public transportation. In the US, this has been strengthened by the development of shale gas as an energy source. The bus transit market in the US has been primarily driven by reduced emission requirements due to local demands for cleaner air. Lower fuel cost has been an additional advantage. Demand for bus systems in the US market is expected to remain strong.

Market demand for bus systems was stable in Europe following strong growth in demand in 2013 and several years of fluctuating market conditions previously. Certain projects in the market were postponed by customers during the year, and the transition to our new longitudinal cylinder configuration has required more time than expected.

The introduction of the Euro-6 emissions standards for heavy-duty trucks and buses from January 1 2014 has increased the cost of a diesel-powered buses compared to natural gas. This resulted in a temporary increase in the sale of diesel-powered buses to take advantage of the cheaper, existing engine technology before the new requirements came into effect. However, we expect that the new regulations will have a positive impact for natural gas-powered buses in certain European markets as the price difference between diesel and natural gas powered engines has narrowed somewhat. We expect that European demand for bus systems to be stable during 2015.

In Asia, our heavy-duty vehicle fuel cylinders' market share is low due to the initial cost advantage of traditional steel cylinders and lower focus on long term savings and sensitivity to vehicle performance and weight. However, we expect that demand for composite cylinders will increase driven by factors such as lower maintenance and weight reduction benefits including enhanced vehicle frame design.

Passenger cars

The European market for gas-powered passenger vehicles was strong in the first half of 2014, but softened in the second half. The medium and long term outlook remains positive with several new gas-powered vehicle models expected to be launched in the next few years. In 2014, we were nominated by a major car manufacturer to supply fuel cylinders for their vehicles from 2017 onwards.

The need to increase fuel efficiency and reduce emissions is driving demand for lightweight solutions in automotive applications. Our composite cylinders are 70% lighter than traditional steel cylinders. Light weight, combined with the efficiency of natural gas compared to other fuels results in a lower CO2 rating and better operating economics. We expect these characteristics to drive demand for our cylinders going forward.

Hydrogen

Hydrogen gas and fuel cell technologies are expected to be important drivers in the high-pressure cylinder market in the years to come, and we are developing technology to address this opportunity. See the Business and Product development section below for the initiatives we are taking in this product area.

COMPETITIVE POSITION

We are the global market leader in Type 4 high-pressure composite cylinders for CNG. The use of natural gas in the US continues to gain momentum and the market shift towards CNG over LNG has been a significant development for our company. By the end of 2014 90-95% of new heavy-duty trucks were powered by CNG versus LNG. Despite softer demand at present, we believe that the adoption rate will increase going forward. We are assuming a 75-80% CNG market share for our long-term planning.

Our Gas Distribution Products (TITAN™ and SMARTSTORE™) are unique within the gas transportation sector because they enable greater load capacity at lower weight than competing solutions. In addition, superior design with fewer couplings and connections results in significantly lower operating costs. However, there is strong competition mainly from traditional steel cylinder solutions due to lower investment cost. There are also a limited number of competitors delivering Type 3 cylinders (aluminum inner liners) and a few able to deliver Type 4 cylinders (plastic inner liners). However, these are much smaller than our TITAN™ cylinders.

In the North American heavy-duty vehicle market (Class 7-8 tractor-trailer), low weight and large capacity are important characteristics. Our competitors in North America are primarily producers of Type 3 and other Type 4 composite cylinders.

Hexagon Composites is the clear market leader in the US and European bus markets. In OECD countries, low weight is decisive due to the stability demands for roof-mounted cylinders on low-floor buses. Our main competitors both in the European and North American bus markets are Type 3 suppliers. We are the only Type 4 provider presently in the North American market.

Steel cylinders have been the predominant solution in the passenger vehicle market, including within the European Union. However, new incentives including vehicle taxes and duties are expected to drive demand for lighter vehicles, making our lightweight cylinders even more attractive in the market. Technological know-how and extensive experience in the design and production of composite fuel cylinders and systems give us a competitive edge in this developing market.

Environmental considerations will be increasingly important going forward. Our lightweight high-pressure cylinders are at the forefront of developments relating to Compressed Hydrogen Gas (CHG) and fuel cell technology for vehicles. Type 4 cylinder technology is widely accepted as the only feasible solution for 700 bar hydrogen fuel storage systems.

BUSINESS AND PRODUCT DEVELOPMENT

Hexagon Composites is allocating more resources toward business and product development with key, dedicated personnel at corporate and business area levels.

Product and process development

We have a strong, ongoing focus on product development in close collaboration with our customers. We work actively on innovative solutions and improvements including product standardization, which contributes to lower production cost and operating benefits for our customers. We strive to cultivate a strong relationship between product design and development, material selection and manufacturing processes to ensure optimal, cost effective solutions.

Mergers & Acquisitions

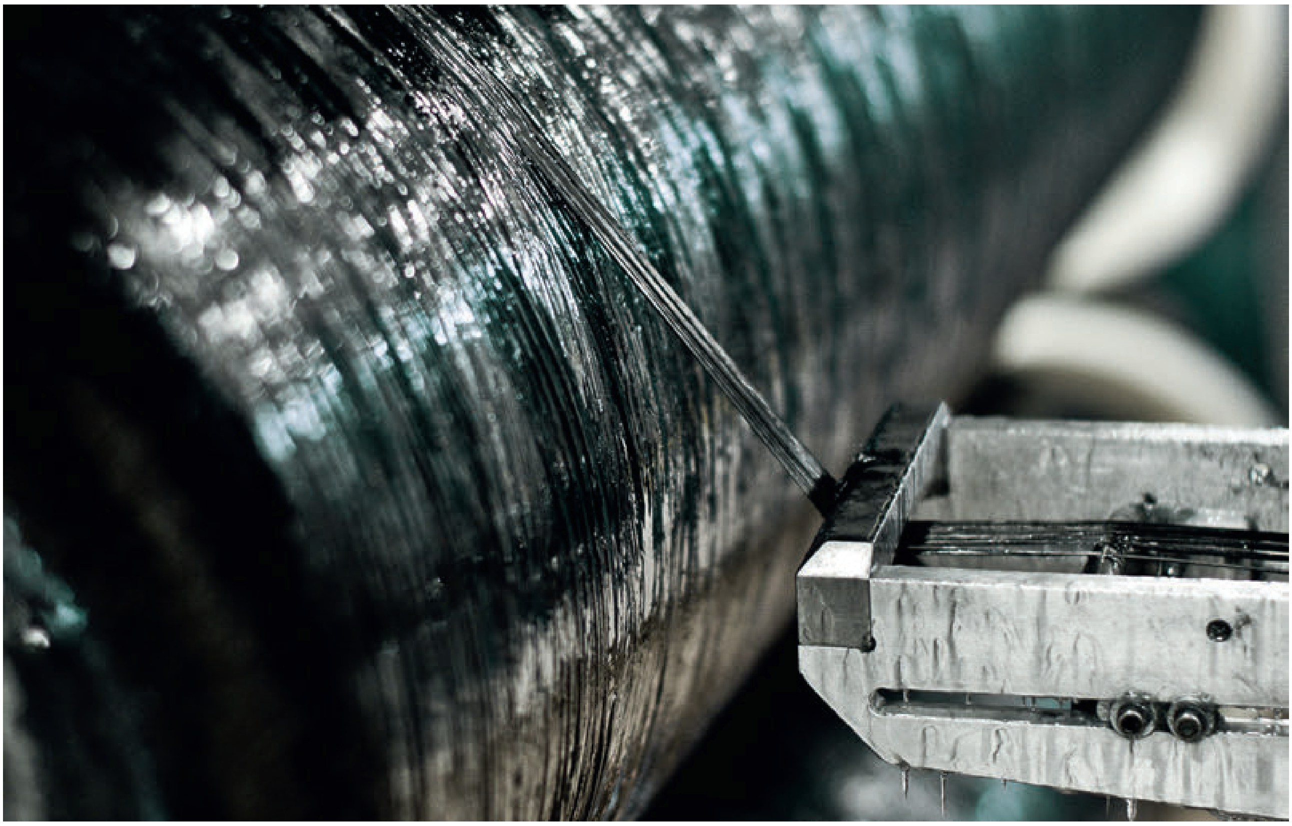
In 2014, we concluded a joint venture agreement with Agility Fuel Systems, a leading producer of natural gas fuel systems for heavy-duty vehicles, to enhance our combined position within the growing market in North America. We expect that the agreement will enable us to deliver higher volumes of innovative products in a cost effective manner. The new tanks are based on Hexagon Lincoln core products with unique technology jointly developed by the two companies.

In October 2014 Hexagon Lincoln completed the acquisition of the assets of MasterWorks comprised of MasterWorks Machining, MasterWorks Composite Solutions and Helman Tensioners. The agreed transaction value was USD 1.7 million (NOK 13.1 million).

MasterWorks and Helman Tensioners specialize in providing innovative design and manufacturing solutions for the composites industry. The acquisition enhances the Group's technology leadership and manufacturing robustness reinforcing the Group's position as the global leader in the industry, as well as providing additional capabilities for further expansions.

Hydrogen solutions

We have been engaged for many years with the development of high-pressure cylinders for hydrogen applications including road distribution, ground storage and vehicle fuel cylinders. A number of public and private enterprises have focused on hydrogen-based fuel cell technology as an alternative to existing combustion engines and electric battery technology. Players in Germany, Japan and Korea are leading in the development of hydrogen-powered cars and related re-fueling infrastructure. We believe there is substantial potential for our products in this area in the years to come.



PRODUCTION

In general, we strive to achieve high-capacity utilization and stable production to ensure efficient, cost-effective operations. Production capacity at Lincoln was fully utilized during 2014 due to the strong increase in demand for fuel cylinders and gas transportation solutions. To meet the continued expected growth in demand, we are in the process of expanding production capacity in two phases. Phase 1 was commissioned at the end of the first quarter of 2014 with ramp-up to targeted production volume mostly achieved by the end of the year.

The expansion program is based on advanced technology including several important process innovations. Following completion of Phase 2 a completely new automated TUFF-SHELL® line will be fully operational. We expect this will provide sufficient capacity to cover continued growth in market demand beyond the end of 2015.

Capacity utilization at the Raufoss facility for installing bus systems was good throughout the year. However, demand is highly project dependent, which resulted in a decline in orders in the third quarter followed by high activity in the fourth quarter.

Production of cylinders for passenger cars was at a high level in the first half of the year. Order volume declined during the autumn, however, resulting in lower sales volume than expected for the year as a whole. We are working on expanding our customer base to increase stability in order volume throughout the year.

MARKET OUTLOOK

Market fundamentals remain favorable. Key factors driving the adoption of natural gas powered engines, including long-term price stability, lower environmental impact and cost advantages, remain healthy. The expectation of a significant increase in the adoption rate of gas powered engines for heavy-duty vehicles through 2020 continues despite some uncertainty from the recent oil price volatility. Other important factors influencing the rate of growth include conversion costs, developments in refueling infrastructure, expansion of engine alternatives and increasing operating experience. Within the Gas Distribution Product unit our long term business presence in all major global markets is expected to support the planned growth in revenues and results.

Objectives for 2015-2016

- Maintain our leading market position with TITAN™ in Asia, North and Latin America
- Further develop our leading position in Europe for CNG transport with SMARTSTORE™
- Exploit the growing US market for natural gas fuel cylinders
- Maintain our leading position in the bus transit market in Europe and the US
- Reinforce our dominant US position in the niche market for large fuel cylinders for Class 8 tractor-trailer vehicles
- Maintain and develop our position as a major supplier of composite fuel cylinders for passenger vehicles
- Further increase Lincoln capacity utilization to drive additional efficiencies and cost reductions
- Secure automotive hydrogen fuel cylinder manufacturer nomination.

HEXAGON RAGASCO

INCREASED PROFITABILITY THROUGH HIGH SALES VOLUMES AND CAPACITY UTILIZATION

Hexagon Composites is a global supplier of low-pressure composite (LPG) cylinders mainly for leisure activities, household use, catering kitchens and forklift trucks. Targeted initiatives in 2014 enabled us to grow in new markets outside of Europe.

KEY FIGURES

(NOK)	2014	2013
Operating income	559 092	338 947
EBITDA	138 537	73 091
EBIT	99 133	44 674
EBITDA %	24.8 %	21.6%
EBIT %	17.7 %	13.2%

HEXAGON RAGASCO, RAUFOSS, NORWAY

119 employees

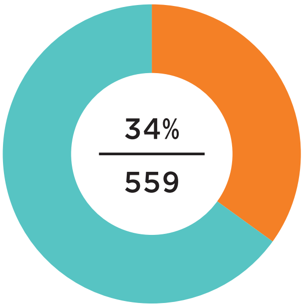
5,000 m²

RUGASCO, NIZHNY NOVGOROD, RUSSIA

18 employees

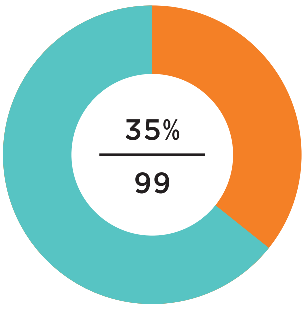
2,000 m²

OPERATING INCOME
MNOK



Low-Pressure Cylinders

EBIT
MNOK



Low-Pressure Cylinders

Low-Pressure Cylinders LPG

PRODUCT ADVANTAGES

LIGHT-WEIGHT
50% lighter weight than a steel cylinder provides unique handling ability.

EASY TO SEE GAS LEVEL
The transparent tank shows how much gas is left.

PROTECTED VALVE
The design ensures that the valve is protected against external impact.

CORROSION-RESISTANT
The cylinder does not rust, a factor that is crucial to the lifetime and safety.

AWARD WINNING DESIGN
The design gives a softer and friendlier impression and a better user experience.

Hexagon Ragasco, our major operating unit within the Low-Pressure business area, is the world's leading producer of composite LPG cylinders. We have sold more than 9 million cylinders world-wide in the last 16 years including 1.5 million in 2014. Our unique composite cylinders deliver clear advantages over traditional steel alternatives in the form of significantly lower weight, no corrosion, translucence and increased safety and user friendliness. Production is carried out in modern, fully automated facilities located in Raufoss, Norway.

STRATEGY

Hexagon Ragasco aims to be the preferred global supplier of mass-produced, composite LPG cylinders. We plan to create value for our customers and end users through superior design and state-of-the-art production facilities and manufacturing processes. We strive to achieve high capacity utilization and stable production to ensure efficient, cost effective operations. This includes targeting markets that will help to balance the seasonal demand of our core European business.

We plan to focus our long-term efforts on developing and expanding in markets with the greatest growth potential for our products including Asia, the Middle East and the Americas.

Objectives achieved in 2014

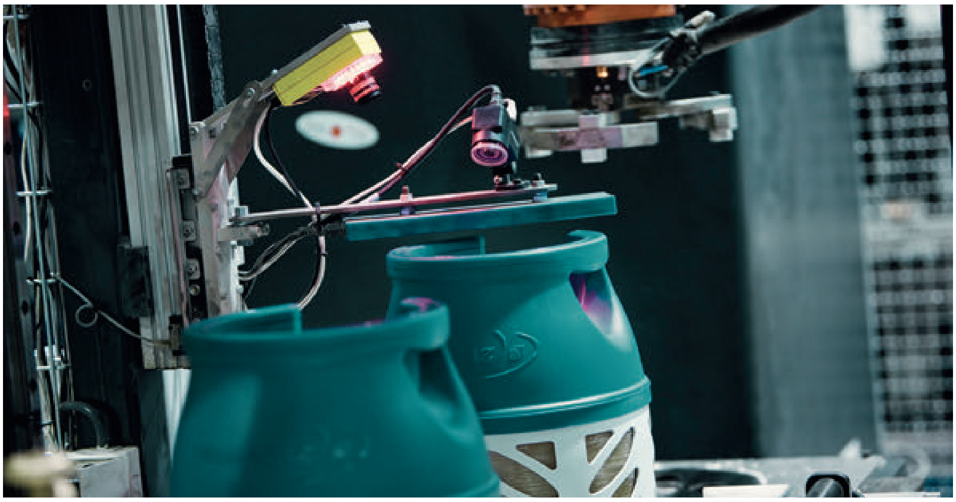
- Achieved initial sales to new markets outside of Europe contributing to significant growth
- Full capacity utilization
- Stepped up business development resources to accelerate further growth strategies

OPERATING RESULTS

Operating income for the Low-Pressure Cylinders business area increased by of 142% compared to the previous year mainly driven by new, major orders from the Middle East. Sales to Europe were solid during the year with continued high volumes from Scandinavia, France and Switzerland in addition to orders from new markets in Europe. Increased volumes enabled high capacity utilization throughout the year. Operating profit (EBIT) amounted to NOK 99.1 million (44.7). Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS

In the second quarter Hexagon Ragasco received two large orders for the supply of LPG cylinders to Qatar and Iraq contributing to record high volumes in 2014. These new orders improved capacity utilization partly offsetting seasonally lower European volumes in the second half of the year.



Increased sales effort outside of Europe generated several minor orders to new markets in Africa, South East Asia and Central America.

Capacity utilization has been satisfactory during the year and was very high in the third quarter influenced by long production runs and a continued focus on productivity improvements. Resulting production efficiencies together with high sales volumes, made a positive contribution to financial results in 2014.

MARKET AND CUSTOMERS

An increased focus on safety and ease of use, together with high corrosion resistance is driving increased demand for composite cylinders for LPG globally. Long-term targeted initiatives have resulted in several key orders, which have secured growth and improved capacity utilization.

Europe

Our most important market has been the leisure market in Europe, which is characterized by seasonal demand normally resulting in higher sales volumes in the first half of the year. In 2014, an extended period of warm, dry weather resulted in higher than expected sales volumes in the third quarter. However, demand for the full year was stable with the exception of France where we experienced growth. Because LPG is used for cooking in general in rural areas of France, seasonal variations are lower compared with other major markets in Europe.

For the past several years we have been working to develop a market for our products in Russia, including the establishment of the joint venture company, Rugasco in Nizhny Novgorod. Currently, these operations are not profitable, partly due to the significant weakening of the Russian ruble. However, our operations have not been impacted by trade sanctions or other restrictions and the long-term opportunities in Russia remain attractive.

New markets outside Europe

Currently, steel cylinders dominate the markets outside of Europe. Although they are cheaper, these products are susceptible to corrosion, especially in areas with high levels of humidity, affecting the safety and useful life of the cylinders. Because composite cylinders offer significant benefits in term of safety and durability, there are major LPG markets outside Europe where our products are competitive. To secure growth and improve capacity utilization in the seasonally slower second half of year, we have focused on several of these markets including the Middle East, Africa, South-East Asia and North and South America. Our efforts have resulted in major new orders in Qatar and Iraq as well as several smaller orders in other international markets. Although periodic in nature, these orders have enhanced our marketing and commercial expertise and strengthened our competitive position in these markets. Increasing our market penetration in these regions is a priority going forward.

Customers

Hexagon Ragasco's customers are primarily leading national and international LPG distributors. These distributors manage large quantities of cylinders through their own exchange centers or through dealers. End-use customers typically make a one-time payment for the cylinder followed by exchanges when the cylinders are empty.

Our cylinders have been approved and sold in more than 60 countries globally, and we seek approval to sell our cylinders in new countries. Fuel cylinders for forklift trucks require separate approvals. Our cylinders are currently approved for sale and use in the US and Canada which constitute the most interesting market areas for forklift trucks.

COMPETITIVE POSITION

We are the market leader in terms of cost and quality within this segment. Although there are alternative, lightweight solutions in all of our markets, none of them currently present a significant competitive threat to our business. However, we expect that competition will increase over time.

Our largest competitor is the traditional steel cylinder (Type 1) due to its lower purchase price. However, steel cylinders are significantly heavier and are subject to corrosion. Composite cylinders are also lighter which makes them less costly to transport. Translucence and superior design make them easier to monitor and use. In addition, our cylinders are safer with lower risk of explosion. We believe that these characteristics strengthen our competitive position compared to steel.

We have a global presence and an extensive customer base. In 2014, we maintained or increased our market share in most existing markets in Europe and increased our market share in the Middle East. Our position was strengthened relative to both steel and other composite cylinder alternatives.

BUSINESS DEVELOPMENT

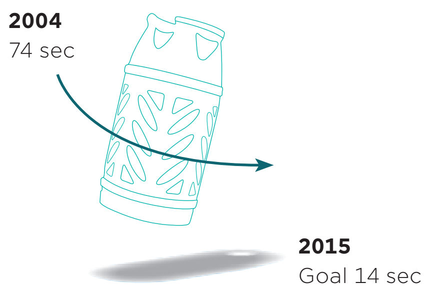
Hexagon Composites intends to strengthen its position as a global supplier of composite cylinders for LPG applications. This include allocating more dedicated resources towards business development to secure and improve existing market positions and identify opportunities for further expansion.

PRODUCTION & PRODUCT DEVELOPMENT

Production and product development are fully integrated at our plant in Raufoss, Norway. This is a prerequisite for cost efficiency in our highly automated production system, which requires only eight operators for each production shift. In addition to meeting customer requirements, our development activities focus on continued improvement of our products and production processes.

During the year, we operated 24/7 to meet customer demand. Production stability and volumes were satisfactory during 2014.

CYCLE TIME



MARKET OUTLOOK

The oil price reduction may have some positive impact on the Low Pressure Cylinders business as the LPG price is correlated to the oil price. The market outlook is considered good and we are acquiring market share from steel cylinders in established markets. Increasing wealth in developing countries outside of Europe is expected to generate more demand for higher quality products improving our competitive position compared to steel cylinders. In particular, the increasing focus on health and environmental impact related to the use of traditional fuels for cooking in many developing countries is expected to increase demand for LPG as energy source for domestic use.

We expect demand to increase in markets outside Europe in the long term.

Objectives for 2015 – 2016

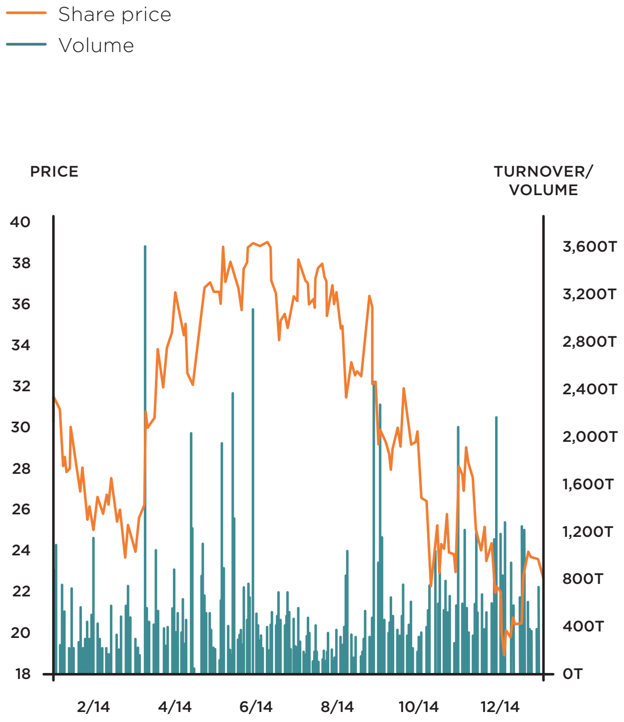
- Acquire additional market shares through increased sales to existing and new customers
- Utilize and improve existing production capacity and productivity
- Exploit new possibilities in new markets and develop new product features.


PRIMAGAZ

A VOLATILE YEAR FOR OUR SHARE PRICE

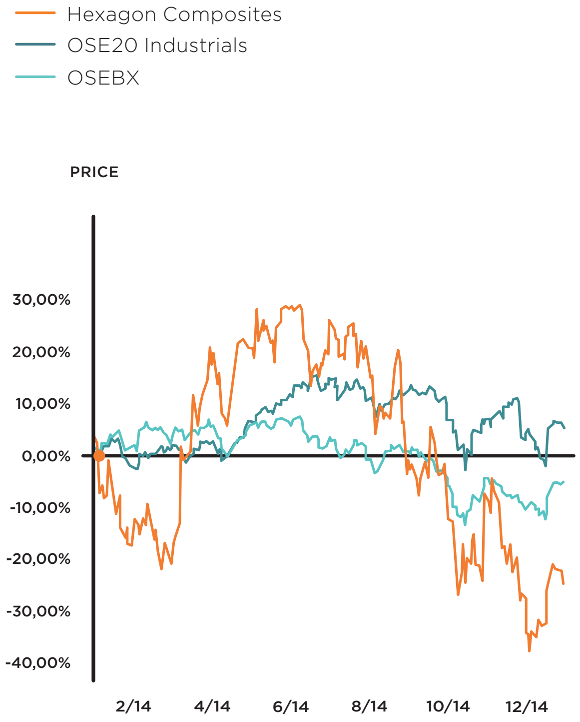
Hexagon Composites' share price appreciated in the first half of the year and declined in the second half, following extraordinary gains in 2013. Market softening in the Heavy-duty truck unit in third quarter followed by the uncertainty due to the significant decline in oil prices in fourth quarter, had a substantial impact on our share price despite robust market fundamentals. Transaction volume was high with 140 million shares traded in 2014 compared with 91 million in 2013.

HEXAGON SHARE VOLUME 2014



(SOURCE: OSLO STOCK EXCHANGE)

OSE PRICE TRENDS IN 2014



(SOURCE: OSLO STOCK EXCHANGE)

10 LARGEST SHAREHOLDERS AS OF 18 MARCH 2015

SHAREHOLDER	NUMBER OF SHARES	SHARE OF TOTAL	COUNTRY
Flakk Holding AS	39 115 988	29.35 %	NOR
MP Pensjon PK	12 267 614	9.20 %	NOR
Bøckmann Holding AS	10 000 000	7.50 %	NOR
Nødingen AS	4 800 000	3.60 %	NOR
Skandinaviska Enskilda Banken (publ)	4 436 967	3.33 %	NOR
DNB Bank ASA	3 992 593	3.00 %	NOR
J.P. Morgan Chase Bank N.A. London - Special treaty lending account	3 931 449	2.95 %	GBR
Thread - Pan Eur small comp fund c/o Citibank	1 804 197	1.35 %	GBR
Thread - Pan European small comp fund c/o Citibank NA	1 775 721	1,33 %	GBR
JP Morgan Chase Bank, NA - Handelsbanken Nordic Custody	1 643 192	1.23 %	SWE
Total 10 largest shareholders	**83 767 721**	**62.85** %	
Remaining	49 527 147	37.15 %	
Total number of shares	**133 294 868**	**100 %**	

A detailed overview of the largest shareholders at 31.12.2014 is disclosed in note 17 in the financial statements.

Hexagon Composites ASA is listed on the Oslo Stock Exchange (OSE) under the ticker HEX (HEX.OL). Share capital was NOK 13.3 million at the end of 2014, divided into 133.3 million shares with a nominal value of NOK 0.10. Hexagon Composites has one class of shares. See the Corporate Governance section in this report for more information on the Company's policies and procedures relating to shareholders and shares.

As of 31 December 2014, the market value of our shares for the year declined 29.4% to NOK 3,039 (4,305) million based on a market price of NOK 22.80 (NOK 32.30). The highest daily closing price in the year was NOK 39.10 and the lowest price was 18.90. By comparison, the Oslo Stock Exchange Industrial index decreased 6.21% while the OBX increased by about 4%. 2014 was a volatile year for our share price, together with other OSE listed shares directly related to the oil and gas industry mainly due to the significant fall in oil prices. However, the fundamental market drivers for our business remain robust and our long-term growth potential remains unchanged from the previous year.

Hexagon Composites ASA is listed on the Match Segment of the Oslo Stock Exchange. All shares are freely transferable. In 2014, 140.0 million (91.0) shares were traded with a turnover rate of 105.1% (68.3). Shares were traded daily and liquidity developed positively.

SHARE DISTRIBUTION AND MAJOR SHAREHOLDERS

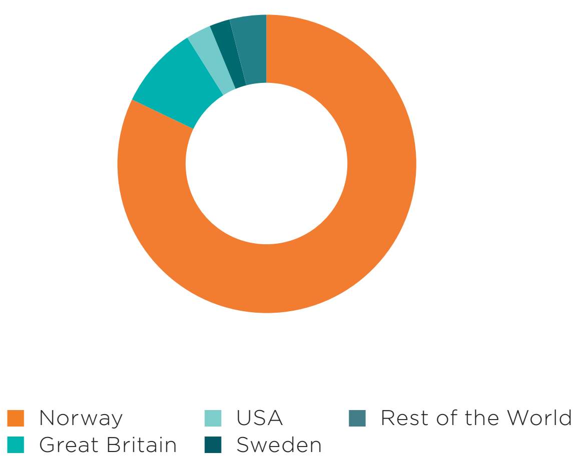
The number of shareholders increased 20% to 2,755 (2,280) in 2014. The number of foreign shareholders was 197 (126) representing 17.40% (17.38%) ownership in the Company. The majority of the foreign shareholders are from the US, United Kingdom and Sweden.

Our largest shareholder is Flakk Holding including related parties with an ownership interest of 34.3% (38.5%). Three industrial investors including Flakk Holding AS and related parties, MP Pensjon and Bøckmann Holding AS represented a combined ownership interest of 51% at the end of 2014. The 20 largest shareholders own 71.8% (75.7) of the Company. Institutional investors constitute 18% of the shareholders. Other shareholders are primarily private individuals and small and medium sized companies.

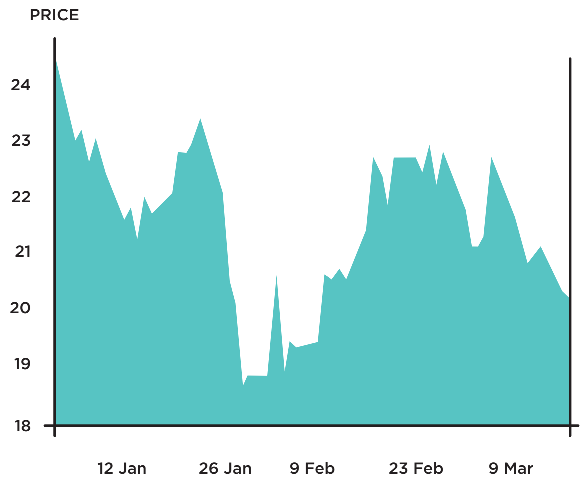
Hexagon Composites has historically had a very stable ownership structure with only a few significant share transactions by the largest shareholders. In 2013 Flakk Holding AS sold 6 million shares (4.5%) and entered into a forward agreement to buy back these shares. On 20 February 2015 the agreement was extended to 20 May 2015. In 2009 Flakk Holding AS entered into a forward contract to sell 4.8 million shares to Nødingen AS, a company controlled by the Flakk family. The transaction was completed on 29 May 2014. Another major transaction was the sale of 2.2 million shares by Skagen Vekst in May 2014.

Shareholder Information

OWNERSHIP DISTRIBUTIONS OF SHARES 2015



SHARE PRICE 2015

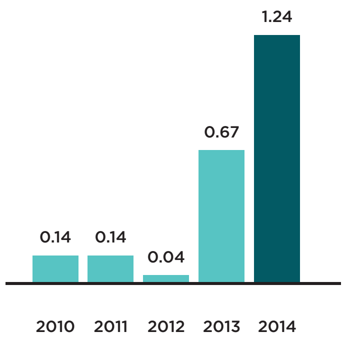


DIVIDEND POLICY

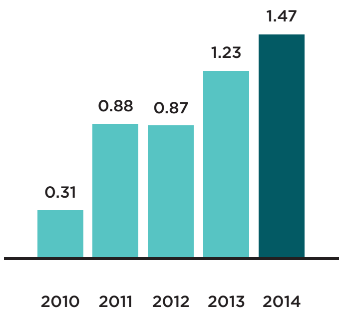
Hexagon Composites is focusing on developing its business in high-growth markets and intends to make the investments necessary to realize its growth ambitions. Our main objective is to provide competitive returns to shareholders primarily through increasing the intrinsic value of our business. Dividend payments are dependent on financial performance and investment requirements. The maximum dividend for any given year is limited to 50% of net profit after tax. For the year 2013 Hexagon Composites proposed a dividend of NOK 0.33 per share which was paid in 2014. The Board proposes a dividend of NOK 0.62 per share for 2014.

The ordinary General Meeting was held on 22 April 2014. The General Meeting authorized a dividend of NOK 0.33 per share to be paid on 6 May 2014. The General Meeting also approved an increase in share capital by a maximum of NOK 1.3 million which amounts to 13 million shares or about 10% of the existing share capital. The approval covers one or more share capital increases and authorizes the Board to set the subscription price per share in connection with each share issue. The Board was also granted the authority to purchase own shares up to a combined nominal value of NOK 1.333 million or 10% of current issued share capital. The authority is valid until the Company's ordinary General Meeting in 2015.

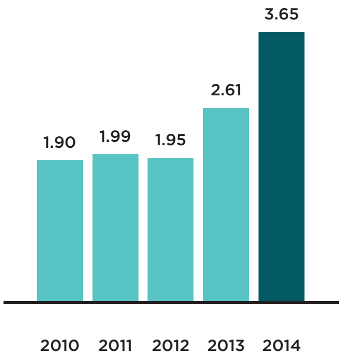
EARNINGS PER SHARE



CASH FLOW FROM OPERATIONS PER SHARE



EQUITY PER SHARE



KEY FIGURES SHARES

	2010	2011	2012	2013	2014
Closing Price NOK	6.53	2.46	4.47	32.30	22.80
High NOK	9.80	7.10	4.47	32.30	39.10
Low NOK	5.40	2.38	2.55	4.32	18.90
Total return %	(32.7)	(62.3)	81.7	622.6	(28.8)
Market capitalization (NOK 1 000)	870 415	327 905	595 828	4 305 424	3 039 123
Turnover by value (NOK 1 000)	73 019	27 686	61 731	1 463 559	4 172 911
Turnover by no. of shares (1 000)	9 395	6 711	16 837	91 008	140 065
Number of transactions	2 610	1 403	4 738	33 603	146 914
Number of days traded	245	234	247	248	250
Turnover rate %	7.0 %	5.0 %	12.6 %	69.3 %	105.1 %
Beta	0.34	0.50	0.61	0.66	1.02
P/E	47.57	17.20	109.39	48.03	18.46
P/B*	3.43	1.24	2.30	12.35	6.24
Earnings per share	0.14	0.14	0.04	0.67	1.24
Cash flow from operations per share	0.31	0.88	0.87	1.23	1.47
Dividend per share**	0.07	0.00	0.15	0.33	0.62
Equity per share	1.90	1.99	1.95	2.61	3.65
Share capital (NOK 1 000)	13 329	13 329	13 329	13 329	13 329
Closing number of shares (1 000)	133 295	133 295	133 295	133 295	133 295
Number of shareholders, Norwegian	1 346	1 336	1 330	2 240	2 558
Number of shareholders, foreign	42	49	50	132	197
Ownership share, foreign	3.0 %	4.4 %	3.6 %	17.3 %	17.40 %

*) P/B: Total market capital at 31.12 divided by shareholders` equity at 31.12.
**) The Board will propose to the General Meeting 21 April to pay a dividend of NOK 0.62 per share.

CONSOLIDATING OUR STRONG MARKET POSITIONS

MARKET LEADING POSITION

OJECTIVES 2014

Secure and increase market shares all segments:
- Gas Distribution Products (Mobile Pipeline™): Growth in the global market
- CNG Automotive: Increased sales in North America
- Bus Systems: Increased sales in North America and Europe
- Low-Pressure Cylinders LPG: Increased sales to new markets outside of Europe.

RESULT 2014

Achieved consolidated Group sales growth of 30% and reinforced our position as the leading player in markets where we operate:
- Gas Distribution Products (Mobile Pipeline™): growth of 18%
- CNG Automotive: growth of 14%
- Low-Pressure Cylinders LPG: Major new sales to markets in the Middle East.

OJECTIVES 2015

Enhanced product innovation and business development:
- Gas Distribution Products: Expand the global reach of TITAN™ and SMARTSTORE™ Mobile Pipeline™
- CNG Automotive: Product enhancement and retention of gains in market share achieved in 2014
- Low-Pressure Cylinders LPG: Secure high capacity utilization in 2015
- Hydrogen: Further investments to commercialize our products and know how.

GROWTH

OJECTIVES 2014

Growth within all product areas, in particular within CNG cylinders to the North American market.

RESULT 2014

- Achieved 30% increase in sales revenues and 81% increase in the operating profit.
- 14% growth in CNG Automotive for the year
- Main impact of market share growth from Agility Fuel Systems joint venture expected in 2015.
- Group margins have improved, including in North America
- EBIT margin was 15.6% (11.2%).

OJECTIVES 2015

Further organic growth in consolidated Group EBIT in particular for gas distribution products Mobile Pipeline™ solutions and hydrogen solutions. Remain agile and opportunistic for new business opportunities.

LIQUIDITY

OJECTIVES 2014

Finance the majority of investments with operational cash flow.

RESULT 2014

Generated operational cash flow of NOK 195 million, more than covering consolidated Group capital expenditure requirements for 2015.

OBJECTIVES 2015

Generate sufficient financial resources to fund business development and product and process innovation in addition to ongoing business requirements.

STRONG BALANCE SHEET

OJECTIVES 2014 Further strengthen our equity ratio.

RESULT 2014 Achieved 41.3% (30.6%) equity ratio.

OBJECTIVE 2015 Maintain an adequate equity ratio and not below 30%.

OPERATIONS

OJECTIVES 2014

- Complete Phase 1 TUFFSHELL® expansion to double production capacity compared with 2013.
- Progress on Phase 2 expansion program with further doubling of production capacity in 2015.
- Improve productivity at Hexagon Ragasco

RESULT 2014

- Phase 1 of expansion program commissioned in 2014 with ramp-up achieved in the first quarter of 2015.
- Phase 2 of expansion program underway and expected to be completed by the end of 2015.
- Improved Hexagon Ragasco's productivity and uptime enabling an increase of 51% in units produced in 2014.

OJECTIVES 2015

- Complete Phase 2 of expansion program within budget.
- Continued focus on manufacturing process productivity across all areas.

ORGANIZATION AND SKILLS DEVELOPMENT

OBJECTIVE 2014 Further organizational development, improvement of management systems and process improvements.

RESULT 2014

- Reorganizations completed within High Pressure Cylinders segment clarifying organizational responsibilities and generating operating synergies.
- Strengthened focus and resources within the Gas Distribution Products (Mobile Pipeline™ organization
- Increased capacity for engineering, innovation, strategy and business development within both operating segments
- Detailed design phase completed on extensive ERP upgrade in Lincoln plant; New ERP implemented in Hexagon Ragasco and Hexagon Raufoss plant
- Improved internal reporting metrics and methods implemented
- New Project Management methodology and model implemented

OBJECTIVE 2015 Organize and implement Centers of Excellence.

INNOVATION

OJECTIVES 2015 Further enhance our competitive positions by:

- Combining product know-how with complementary new technology to enhance our product offerings
- Investing more resource into opportunity development
- Structuring our innovation, research, product development and engineering around Centers of Excellence in core areas.

SUSTAINED PROFITABLE GROWTH

Hexagon Composites intends to acquire market shares from traditional material manufacturers within steel and aluminum by offering innovative and cost-effective composite solutions.

We aim to enhance our competitive position by focusing on

- Market niches with significant growth potential
- Customers that are open to new materials and solutions
- Innovative and technologically advanced solutions that deliver clear customer benefits
- Automated and cost-effective production processes

THE MARKET

Hexagon Composites has achieved strong growth in several market segments. We have reinforced our position as the leading global supplier of composite pressure cylinders.

We will continue to develop our value proposition for gas distributors, vehicle manufacturers and system providers to enable them to enhance the value offered to their own customers.

We will develop an effective global distribution and marketing organization by retaining and recruiting highly qualified employees and by using good management systems.

INNOVATION

Innovation and technological expertise are core competitive strengths. We plan to deliver innovative and technologically advanced solutions that differentiate our products and provide significant value to our customers.

TECHNOLOGY AND PRODUCTION

We intend to maintain our leading position within the development of advanced production technology. Automtion, optimal product design and high capacity utilization enhance our competitive position. We aim to maintain the industry's most effective cost structure.

We plan to expand capacity on a timely basis to meet future demand in growth markets.

SHAREHOLDER VALUE

Hexagon Composites will deliver shareholder value through growth and increased profitability.

"Automtion, optimal product design and high capacity utilization enhance our competitive position.

CREATING VALUE FOR OUR STAKEHOLDERS

Hexagon Composites follows the Norwegian Code of Practice for Corporate Governance. We aim to secure a clear division of roles and responsibilities between shareholders, the Board of Directors and day-to-day management to ensure good corporate management. We believe that this contributes to the greatest possible value creation for all interest groups and strengthens the trust in the Company among shareholders, in the capital markets and with other key stakeholders.

1. DESCRIPTION OF CORPORATE GOVERNANCE
Hexagon Composites ASA's principles for corporate governance were last revised at the Board meeting of 18 March 2015. The principles can be found on the Group's website.

We follow the Code of Practice established by the Norwegian Corporate Governance Committee (NUES). This is available at www.nues.no. We continue to update our principles for corporate governance in accordance with the Code of Practice of 30 October 2014. Unless otherwise indicated in the text below, there are no deviations to the Norwegian Code of Practice for Corporate Governance.

Hexagon Composites has zero tolerance for any form of corruption and requires that all work and activities are performed in accordance with high ethical standards. We operate within a framework of common values including formal ethical requirements governing our business practices which were established and approved by the Board in 2009. The Board believes that the organization is characterized by strong ethical standards and a high level of integrity.

Social responsibility is an integral part of Hexagon Composites' corporate governance process. Formal guidelines for corporate social responsibility have been approved by the Board and integrated into the Group's management systems. In the opinion of the Board, good results have been achieved in integrating social responsibility considerations into the Company's business strategies. Further initiatives are targeted and the Board expects that improvements will continue.

2. NATURE OF BUSINESS
Hexagon Composites develops and commercializes competitive, innovative products based on advanced composite technology. Our goal is to remain the international leader in selected niches of the composites industry. We aim to take market share from products based on traditional materials by offering cost effective, innovative solutions in the pressure cylinder market.

The scope and objectives of our business is defined in the Company's articles of association which can be found on our website. A more comprehensive discussion and analysis of our business activity and operating results are included in this annual report.

3. COMPANY CAPITAL AND DIVIDENDS
Hexagon Composites' equity is considered to be at a level appropriate to the Group's objectives, strategies and risk profile. Our main objective is to focus on high-growth areas and we intend to make the necessary investments to develop our business in these markets.

Authorization to the Board for capital transactions are normally restricted to defined objectives and time limitations that do not exceed the next ordinary general meeting. This applies to the issuance of new shares as well as the purchase of own shares. The Board is authorized to approve the purchase of own shares in one or more tranches up to a combined nominal value of NOK 1,332,948 (or 10% of current issued share capital).

Share option programs for employees are approved by special authorization. Authorizations for increases in share capital relating to multiple purposes are considered separately.

Our main objective is to provide competitive returns to shareholders primarily through increasing the intrinsic value of our business. Dividend payments are dependent on financial performance and investment requirements. For the year 2013 Hexagon Composites proposed a dividend of NOK 0.33 per share which was paid in 2014. The Board proposes a dividend of NOK 0.62 per share for 2014.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Hexagon Composites ASA has one class of shares and our policy is to treat all shareholders equally in capital transactions. In the event where circumstances require preferential treatment for certain shareholders, subsequent measures will be implemented to restore the interest of the other shareholders as far as possible unless the impact is justifiable. Reasons for any deviation from equal treatment of all shareholders in capital transactions are included in the notice to the stock exchange made in connection with the transaction.

The Group normally conducts transactions in its own shares through the stock exchange or at equivalent market rates. Particular prudence is applied in direct share transactions with the Group's shareholders, Board members, management or related parties that have a financial or personal interest in the Company. Any assessments of material transactions are performed by an independent party.

5. FREELY NEGOTIABLE SHARES

All shares in Hexagon Composites ASA are freely negotiable. No form of sales limit has been stipulated in the articles of association.

6. ANNUAL GENERAL MEETING

We have well established procedures for publicly announcing and issuing information regarding the General Meeting and our website is an important source of information. Notice of the General Meeting and supporting documents, including the recommendations from the nomination committee, are published on our website 21 days in advance of the meeting date. The same information is also sent by mail to shareholders no later than two weeks before the meeting. Sufficient information is included to enable shareholders to evaluate the items to be addressed in the meeting. Minutes from the meetings are published on the Group's website.

Deviations from the Norwegian Code of Practice for Corporate Governance:
In connection with the ordinary general meeting for 2014, only Knut Flakk was in attendance from the Board and nomination committee. The General Meeting was chaired by Knut Flakk.

7. NOMINATION COMMITTEE

The Company has a nomination committee to propose candidates for election to the Board. The committee is comprised of three members, one of which is a Board member. The composition of the committee is intended to reflect the interests of all shareholders and the majority of the members are normally independent of the Board and other executive management. Members are elected at the annual general meeting. In 2014 the nomination committee was comprised of Bjørn Gjerde, Chairman, Odd Gjørtz and Knut Flakk.

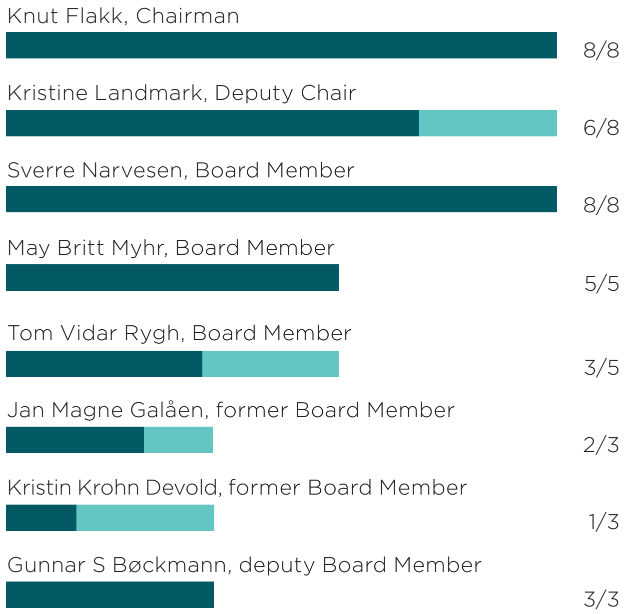
The nomination committee's requirements are stipulated in the Articles of Association. The nomination committee's main responsibility is to evaluate the work and expertise profile of the Board of Directors and to propose suitable candidates. The nomination committee also proposes the fees to be paid to members of the Board. Proposals for candidates, including the reasons for selection and other relevant information are distributed with other documentation related to the annual General Meeting.

Deviations from the Norwegian Code of Practice for Corporate Governance:
The Chairman of the Board is the Board's representative on the nomination committee and has also been a member of the nomination committee since it was established.

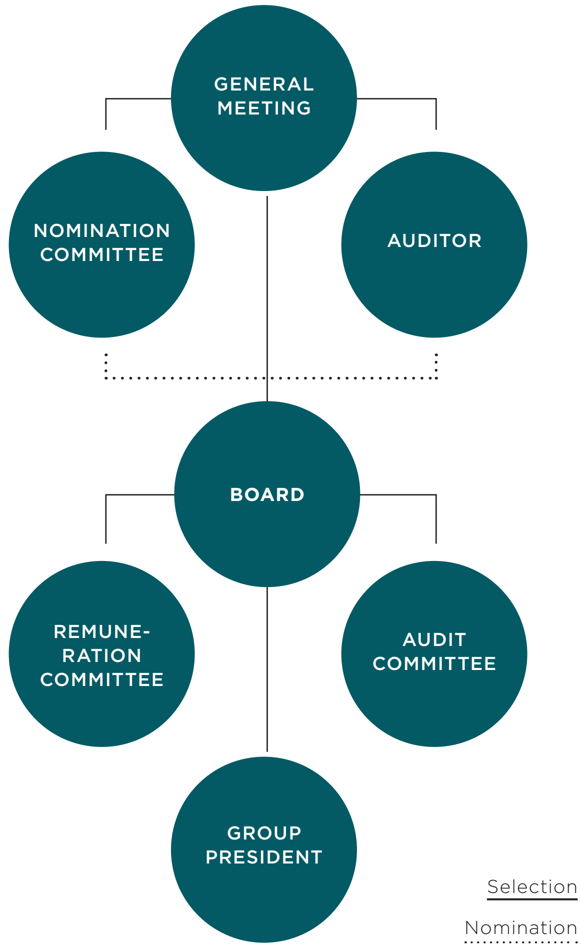
8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Board is composed of individuals with sufficient competence and expertise to enable independent evaluations of the Group's operations and to ensure the effective function as a governing body. The majority of the shareholder elected Board members are independent of the Company's day-to-day management, important business connections and the Company's major shareholders.

Attendance at board meetings in 2014



Corporate Governance



9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors works with the Chief Executive Officer and external auditors to ensure that the Group is managed in accordance with its corporate objectives, values and ethical guidelines. The Board has an annual plan with particular emphasis on objectives, strategy and implementation and submits an evaluation of its work to the nomination committee.

Clear guidelines require Board members and executive management to notify the Board of any significant direct or indirect interest in transactions executed by the Company. These guidelines are incorporated into the Board's instructions and instructions for the Chief Executive Officer. In the event that the Board Chairman has been actively engaged in important matters, the Deputy Chair assumes responsibility for the matter.

The Board has an audit committee comprised of members that are independent of the Company's day-to-day management, important business connections and the major shareholders. Instructions are established for the audit committee which was comprised of Board members Sverre Narvesen and Kristine Landmark in 2014. The Board has a compensation committee which was comprised of the Board Chairman Knut Flakk and Board member Kristine Landmark. Knut Flakk is also the largest shareholder of the Company.

10. RISK MANAGEMENT AND INTERNAL CONTROLS

Hexagon Composites works systematically to identify and manage the specific risks facing its business. Risk management is executed by Group management including management in subsidiary companies. The corporate finance department is responsible for ensuring that the Group has an adequate system of internal controls including controls over financial reporting. This unit reports directly to the CEO and has overall responsibility for ensuring compliance with the Group's accounting principles and financial controls. We believe that our overall strategy, management principles and organizational structure provide a good control environment. The Group's ethical guidelines also contribute to a culture and values that support this environment.

The Board ensures that the Group has good internal controls and appropriate systems for risk management in relation to the scope and type of our business operation. This includes ensuring that the Group's risk management and internal controls are adequate and systematic and that processes are established in accordance with laws and regulations, articles of association, instructions and external and internal guidelines. The Board regularly and systematically assesses strategies and guidelines for risk management.

The Board's audit committee reviews the overall risk management policy and procedures and the Group's internal control routines. The committee functions as a preparatory and advisory committee for the Group's Board and provides support for exercising its responsibilities relating to risk management, financial reporting, financial information and auditing.

Please see *Risk Management* section of the Board of Directors' report for further information on the Group's main risks.

11. REMUNERATION OF THE BOARD

The remuneration of the Board of directors is intended to reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

On 22 April 2014 the Annual General Meeting established the Board fees for 2013 in connection with the approval of the annual accounts.

POSITION	FEES
Chairman	150 000 NOK (150 000)
Deputy Chair	125 000 NOK (125 000)
Other Board Members	100 000 NOK (100 000)

Members of the Board committees are paid additional fees per positions of 20 000 NOK (20 000).

Fees are fixed and are not linked to the Company's performance. Board members are not eligible for share option programs, if any. Business transactions between companies owned by Board Chairman, Knut Flakk and Hexagon Composites ASA are separately described in note 27 to the consolidated financial statements - transactions with related parties.

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The board has established guidelines for the remuneration of the executive management which include the main principles for the Company's management remuneration policy. Executive management remuneration is partly based on performance and both the method and the amount are intended to promote long-term value creation for the Company. We believe that this can be achieved through the prudent use of share options and/or other equivalent financial instruments and/or bonus schemes. The ceiling for capital increases required to satisfy option agreements and other agreements regarding the allocation of shares is approved by the annual general meeting. Remuneration for the CEO and other executive management is established by the Board and presented to the general meeting for approval.

13. INFORMATION AND COMMUNICATION

The Group follows the Oslo Stock Exchange's recommendations for reporting investor information. The Group's information policy is based on openness and equal treatment of all shareholders and participants in the securities market. Our policy is to provide all shareholders with correct, clear, relevant and prompt information. Efforts are being directed towards developing disclosures on major value drivers and risk factors. We believe it is important that employees, shareholders and investors have equal opportunities to monitor the Company's performance, and receive sufficient information to value the Company correctly. The Group seeks to communicate information about its products and markets to central target groups while ensuring that all stakeholders have equal access to information provided by the Company.

14. COMPANY ACQUISITION

The Board acknowledges that it should not prevent or obstruct offers for the purchase of the Company's business operation or shares. Agreements that restrict the possibility of obtaining other offers for the Company's shares should only be entered into when clearly justified as being in the joint interests of the Company and its shareholders. This also applies to agreements for compensation if an offer is not implemented by the Company. In such instances, compensation will be limited to the costs incurred in making the offer. Agreements between the Company and an offeror that are important to the market's assessment of the offer are made public before or at the same time as notice is given that an offer will be made.

15. AUDITOR

Each year, the Company's external auditor provides an annual written confirmation of his/her independence and objectivity. The auditor attends Board meetings that address the annual accounts and presents to the audit committee the main features of a plan for implementing the auditing work. Annually the auditor presents to the Board an opinion on the Company's accounting principles, asset management and internal control procedures. EY are the Group's auditors, appointed by the general meeting of shareholders. The auditors have no engagements with the Company that could impair their independence. See note 27 to the consolidated financial statements for information about remuneration to the auditor, including statutory audit and other services.

CORPORATE RESPONSIBILITY

Hexagon Composites conducts its business in an economically, socially and environmentally responsible manner. We focus on reducing our impact on the environment and providing innovative products enabling our customers to do the same. Good working conditions for our employees and relationships with the communities where we operate are key objectives. We prioritize ethical conduct within our organization and our supply chain including no tolerance for corruption, leadership in product safety, and respect for human rights.

Social responsibility is an integral part of Hexagon Composites' corporate governance process. Formal guidelines for corporate social responsibility are approved by the Board and integrated into the Group's management systems. Compliance is assured through comprehensive internal communication and systematic training activities. The Board believes that the organization is characterized by strong ethical standards and a high level of integrity.

In the opinion of the Board, good results have been achieved in integrating social responsibility considerations into the Company's business strategies. Further initiatives are targeted, and the Board expects that improvements will continue.

The following discussion on corporate social responsibility has been developed pursuant to section 3-3 c of the Norwegian Accounting Act. Information is presented for our wholly-owned subsidiaries, Hexagon Lincoln (Lincoln, Nebraska, USA) and Hexagon Raufoss (Raufoss, Norway), which comprise our High-Pressure Cylinders business area and for Hexagon Ragasco, our operating unit within the Low-Pressure Cylinders business area. Operations for Hexagon Ragasco are located primarily in Raufoss, Norway.

THE ENVIRONMENT

Innovation

The shale gas revolution, in the US in particular, has resulted in significantly lower natural gas prices and a dramatic increase in interest in Compressed Natural Gas (CNG) as a fuel for vehicles and other purposes. Overall, CNG is one of the cleanest burning alternative fuels available today, producing 20–30 percent less greenhouse gas than conventional fuels. The Intergovernmental Panel on Climate Change (IPCC) recognizes natural gas as an important transition fuel to help reduce global warming.

At Hexagon Composites, we believe that innovative storage and distribution solutions are key enablers to help our customers capture the cost savings available while reducing their impact on the environment. Our CNG composite cylinders are up to 70 percent lighter and enable 70–150 percent more transport capacity compared to traditional steel cylinders. Weight is an important driver of fuel efficiency, which generates lower cost and emissions.

In developing countries, many people rely on biomass such as firewood, charcoal and waste to meet their energy needs for cooking. This often results in unsustainable harvesting practices, as well as illness and premature death from indoor pollution. The United Nations Millennium Project has recommended halving the number of households using traditional biomass fuels, which would involve 1.3 billion people switching to other fuels. We believe that the lightweight, user friendliness and enhanced safety features of our LPG cylinders are important attributes to facilitate such a transition.

High pressure cylinders for the storage of hydrogen gas (CHG) are among the most future oriented products we are working with. We believe we can contribute to lower emissions by supporting the development of fuel cell technology.

Environmental reporting

The Group does not emit any regulated substances into the environment without permit, and there are no health hazards associated with the Group's products. All waste from operations and production are sorted and delivered to approved sites for disposal or centers for recycling and reuse.

Emissions and recycling

Our operations in Lincoln, Nebraska, comply with increasing environmental regulations at the state and federal levels, including reporting on the storage, use and emission of environmentally hazardous chemicals.

The Resource Conservation and Recovery Act (RCRA)[1)], requires that hazardous waste is monitored from the generation to disposal. Further regulations[2)] require reporting of hazardous chemicals above a certain quantity to the Environmental Protection Agency (EPA), local fire departments, local emergency planning committees and the state emergency response commissions. This includes information about the type, quantity and location of hazardous chemicals at each location. Hexagon Lincoln's facility has a designated emergency point-of-contact.

We currently hold a Special Hazardous Materials and Spray Paint Permit as well as Special Waste Disposal Permits from the Lincoln-Lancaster County Health Department. These permits authorize the controlled disposal of paint related materials, adhesives, sealants, cured epoxy resins and related materials. We report regularly on the exposure of our employees to several materials and chemicals. Emissions from our operations are controlled and are well under permitted limits. Scrapped tanks from production, product testing and quality control are recycled by donation to a local farmer for use on his land.

Hexagon Lincoln performs annual air quality sampling in accordance with federal regulated permissible exposure limits[3)]. Air quality was last tested on 9th December 2014 with good results.

Hexagon Raufoss has an ISO 14001 certified environmental management system for bus systems.

Due to growth and higher production volumes, Hexagon Ragasco has exceeded permitted levels of Volatile Organic Compounds (VOCs) emissions approved by the Norwegian Environment Agency (NEA) for several years. An application for increased emissions during 2013 was granted by the agency in 2014. However, due to further production increases, emissions have exceeded the new limits in 2014. Discussions with the agency continued throughout the year in order to reconcile emission limits to the higher production volumes. This included reporting of the monitoring and disposition of excess emissions. Production of CNG cylinders for passenger cars is included in the emissions permit for Hexagon Ragasco.

Improvement initiatives

Hexagon Ragasco works continually with assessing risk and taking initiatives to reduce its impact on the environment. For example, we reduce both the amount of waste produced and our raw material costs by dismantling defective cylinders and recycling inner liners, composite fibers and brass valves. To improve the workplace environment, we have adopted new, safer materials and chemicals in the production process.

As part of the application process for the new emissions permit discussed above, Hexagon Ragasco has been working closely and constructively with the NEA to identify solutions that would further reduce our total VOC emissions relative to production volumes. In the fourth quarter of 2014, we installed a substantially larger incinerator to double our capacity to capture emissions. In the first quarter of 2015 we installed a concentrator which increases our incineration capacity substantially. These measures will reduce our VOC

1) Federal level 40 of the Code of Federal Regulations (CFR) Part 261 and 262.
2) Part 370 of level 40 CFR and the Nebraska Emergency Planning and Community Right to Know Act, Tier II reporting. Section 312 of the Emergency Planning and Community Right to Know Act (EPCRA), also known as SARA title III.
3) Z- Tables, level 28 CFR, 1910.1000 Permissible Exposure Limits.

emissions to well within permitted limits and capture 90% of the previous emission level.

In cooperation with SINTEF, an independent, Norwegian, research organization, Hexagon Ragasco has developed a process to recycle used composite cylinders as raw material for the production of cement. This procedure has been in operation in Norway since 2012 with good results, despite the environmental impact of transporting the cylinders for processing. The methodology has the advantage of being applicable on a global basis.

Hexagon Lincoln has introduced a number of environmental improvement measures in recent years to reduce emissions and waste from its own vehicles and production processes. We recycle several potential waste materials such as different grades of polyethylene[4)], cardboard, plastic, florescent light bulbs, batteries, oil and other consumed materials. We have also introduced the use of dry ice in certain cleaning operations to reduce the consumption and disposal of cleaning solvent and to reduce our operating cost.

We conduct annual training relating to the Hazardous Communication[5)] standard and the Globally Harmonized System[6)] for classifying and labeling chemicals to increase awareness and improve the safety of our employees.

PEOPLE

Working conditions

Innovation, ambition and expertise are critical success factors for our business. We strive to create a safe and appealing work environment to attract competent, motivated people. We emphasize involvement to empower individuals to influence their own work situation. We believe a flat organizational structure ensures visibility and enables employees to develop and thrive.

Good internal communication regarding plans and ongoing development is prioritized to facilitate an open, positive working environment. When possible, we promote internal recruitment to provide motivation and advancement opportunities to existing employees.

Gender equality and non-discrimination

We believe that people with different approaches and experience contribute to an innovative and dynamic work environment. We encourage diversity in our hiring practices with a goal to hire men and women with different backgrounds and the expertise necessary to develop our business. Preferential treatment or discrimination in working conditions due to gender, religion or ethnic background is strictly prohibited. However, we have prioritized the recruitment of highly qualified women, notwithstanding the challenges we face in connection with a traditionally male-dominated, industrial operating environment where legally allowed to do so.

PERCENTAGE OF WOMEN IN HEXAGON COMPOSITES

COMPANY	2013	2014
Hexagon Lincoln	14%	16%
Hexagon Raufoss	8%	11%
Hexagon Ragasco	20%	24%
Hexagon Composites ASA	20%	20%
Board of Directors	40%	40%

The changes in the percentages of women employees were largely due to regular appointments and natural departures and resignations. No instances of discrimination were registered at Hexagon Composites in 2014.

Health, safety and environment (HSE)

Our production sites are comprised of industrial processes that involve, among other things, complex machinery and processes, rapidly moving parts and equipment, high heat, caustic chemicals and pressurized gas. We have established secure operating routines to manage these processes in a responsible manner and to ensure a safe and healthy work environment. We believe that this promotes efficiency and lower operating costs. We have targeted no work-related accidents or injuries that result in employee absence. All business areas have established organizations and routines related to industrial safety. Although there have been few serious injuries within the company, the total number of incidents is not satisfactory. As a result, we are working systematically to reduce the number of injuries and improve our safety performance.

In 2014, Hexagon Lincoln registered five work-related injuries that resulted in absence and seventeen other minor injuries. Twelve instances of skin irritation were registered related to the use of resin in production. The decline reflects improvements in the production process resulting in improved operational efficiency and fewer injuries. Hexagon Lincoln is focusing on reducing minor injuries and incidents of skin irritation, and measures have been taken to further improve safety performance. In addition to work-related injuries, fourteen instances of material damage were reported in 2014.

Hexagon Lincoln has an HSE manager, training personnel and a health committee all with a special focus on reducing

4) Various grades of polyethylene: Injection grade high density polyethylene, HDPE Plastic, Mixed Plastics, Extrusion Polyethylene.
5) Hazardous Communication is a standard established by OSHA.
(Occupational Health and Safety Administration) to ensure that workers are aware of the hazards associated with the materials they are working with.
6) Globally Harmonized System (GHS) is an approach to standardize the classification and labeling of chemicals that improve safety and health of workers through more effective communication.

SICKNESS ABSENCE

COMPANY	2013	2014	TARGET 2015	INITIATIVES AND OBJECTIVES
Hexagon Lincoln	1.3 %	0.7 %	0.6 %	Targeted preventive measures to promote health
Hexagon Raufoss	6.2 %	6.6 %	3.5 %	Close contact and monitoring of employees with regard to well-being and working environment
Hexagon Ragasco	4.8 %	3.7 %	3.0 %	Targeted measures to reduce and prevent absence due to illness, guidance and facilitation for physical activity

minor work-related injuries and skin irritation. Several improvement initiatives have been implemented relating to HSE policies and procedures, and related training of personnel. We are also evaluating and implementing initiatives to improve the safety characteristic of buildings, fixtures, tools, equipment and work processes. A safety committee conducts monthly meetings and undertakes reviews of HSE related activities at the site. Hexagon Lincoln has also have a monthly Wellness Program that encourages our employees to develop and practice good health habits. This includes a reimbursement program for health club memberships, as well as monthly prizes for high performers.

No work-related accidents that resulted in absence from work were registered at Hexagon Raufoss in 2014 and there were no instances of material damage. Hexagon Raufoss has a strong HSE profile with an annual plan including daily reporting in management meetings. A minimum of six safety inspections in our bus operations and nine in our passenger car operations are held each year. Hexagon Raufoss is an IA[7] (inclusive working environment) company. The company has implemented action plans including conducting two specific IA meetings per year. During 2014, the company has been working with a specific action plan established from a survey carried out in the previous year.

Hexagon Ragasco registered one work-related injury in 2014 that resulted in absence from work, which implies a H1[8] value of six. This incident was related to a fire at a gas filling station located adjacent to the plant. Our internal emergency system and the external fire service responded quickly and efficiently to the incident and material damage was limited. One individual was injuried, however, resulting in absence from work for five days. Production was stopped for 10 hours.

Hexagon Ragasco also has a strong HSE profile, with a well-functioning reporting system to identify incidents that could result in accidents or injuries. The company has an annual HSE plan including daily reporting in management meetings. Hexagon Ragasco is also an IA registered company and conducted four dedicated IA meetings in 2014. Due to an increased focus on safety, the company implemented new safety inspection procedures in 2013 focusing on risks related to chemicals, fire, electrical installations, noise as well as order and cleanliness. Ten safety inspections were carried out in 2014. In general, the work environment and employee well-being are considered satisfactory.

SOCIETY

Local community

In addition to providing employment possibilities, we contribute to the local communities where we operate by supporting non-profit organizations that focus on sports and education opportunities for children and youth in particular. We also cooperate with various educational institutions to provide work experience for students.

Ethical conduct

Hexagon Composites has no tolerance for any form of corruption including bribery or extortion. Formal ethical requirements governing our business practices were established and approved by the Board in 2009. These provide guidance for our employees and, indirectly, throughout our supply chain.

To strengthen awareness, training courses focused on combating corruption were completed for Group management, including the Managing Directors of the subsidiaries, in 2013. Initial courses covering the same material were held for key personnel at our Norwegian subsidiaries in spring of 2014 and at Hexagon Lincoln in the second half of the year. Implementation of guidelines and training of all personnel will continue in 2015.

The focus of the training courses includes anti-corruption principles and procedures relating to our own operations and in collaboration with suppliers, customers and other business partners.

[7] IA is a letter of intent with the Norwegian government to foster a more inclusive working environment in order to reduce sick leave, enable employment of individuals with reduced functional abilities and support individuals who wish to work beyond legal retirement age.

[8] H1 value is the number of injuries with lost time per million hours worked

Product safety

Because our products are used to transport and store highly flammable, pressurized gas, product safety is a fundamental requirement underlying our right to operate. All of our products are tested and approved in accordance with established safety standards. Production and related processes are regularly monitored and controlled.

For several years, product design and quality have qualified our low pressure cylinders for the same inspection parameters equivalent to steel cylinders. This means that all customers in all countries excluding Scandinavia are subject to a 10-year testing interval, the same requirement for steel cylinders. In Denmark, Finland, Norway and Sweden, we are the only company that has achieved 15 year interval for the first inspection of cylinders.

Hexagon Ragasco focuses on the continuous improvement of its critical production processes to ensure the quality and safety of its products. Several new initiatives to further improve our processes and products were implemented in 2014

Hexagon Raufoss and Hexagon Ragasco are certified in accordance with ISO 9001.

Supply chain

Hexagon Composite's international scope entails a responsibility for promoting CSR in our supply chain. We place a strong emphasis on encouraging our suppliers to act in accordance with our values and ethical guidelines. We intend to strengthen our compliance efforts going forward.

Identifying and qualifying efficient and cost effective suppliers are critical to improve our competitive position. We work continuously to increase our supplier base to reduce cost, improve quality and minimize the risk of delays in our manufacturing cycle. Corporate responsibility forms an integral part of all stages of the procurement process. Qualifying new suppliers will continue to have high priority in 2015.

We expect continued growth to drive the need for developing further expertise within our organization. During 2014, we have taken initiatives to increase competence and capacity in project implementation and procurement processes, including addressing corporate responsibility issues throughout our supply chain. Further initiatives are planned for 2015 to improve our sourcing procedures.

Human rights

Hexagon Composites respects and supports the protection of internationally recognized human rights. We work systematically to avoid contributing to any breach of human rights. Our commitment to promoting human rights is described in the Group's ethical requirements and guidelines for corporate social responsibility. Hexagon Composites supports freedom of association and the right to collective bargaining. We strongly object to any form of forced labor, child labor and discrimination in the work environment.


5

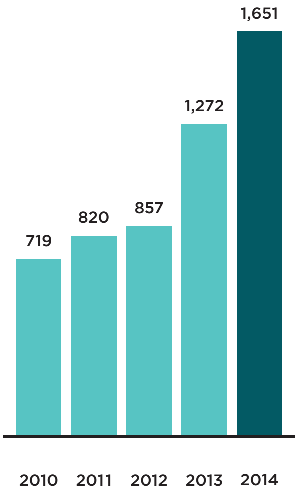
BOARD OF DIRECTORS' REPORT

In 2014 Hexagon Composites' operating income increased 30% driven by record activity in our core business segments. 2014 was the Group's best year so far with a significant improvement in margins and a strengthened balance sheet including strong cash generation, reduced debt and an increase in the equity ratio from 30.6% to 41.3%.

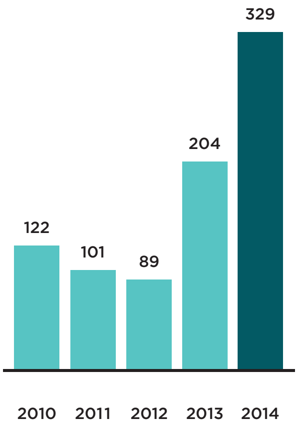
KEY DEVELOPMENTS

- Increase in operating income of 30% and operating profit of 81%
- Solid growth in Gas Distribution Products (Mobile Pipeline™) including the launch of TITAN™ XL, the largest CNG trailer of its kind
- Continued growth in CNG Automotive
- Record sales of Low-Pressure Cylinders, increasing 65% over 2013, including two large contracts to the Middle East
- Strategic joint venture with US based Agility Fuel Systems, positioning Hexagon Lincoln for increased market share within the Heavy-Duty Vehicle segment
- Acquisition of MasterWorks, securing key technology and enhanced engineering capacity within High-Pressure Cylinders
- Divestment of Hexagon Devold

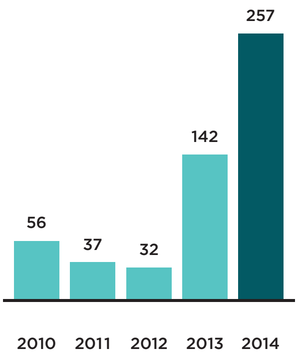
OPERATING INCOME
MNOK



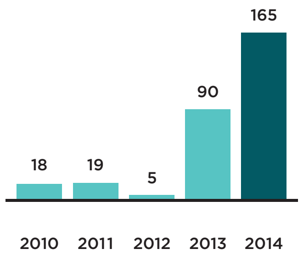
EBITDA
MNOK



EBIT
MNOK



PROFIT FOR THE YEAR
MNOK



Key figures from continuing operations

	2014	2013
Operating income	1,650.8	1,271.6
EBITDA	329.2	204.4
EBIT	256.8	142.1
EBITDA %	19.9 %	16.1 %
EBIT %	15.6 %	11.2 %

RESULTS AND KEY DEVELOPMENTS

Hexagon Composites' operating income amounted to NOK 1,650.8 million compared with NOK 1,271.6 million in 2013. Operating profit before depreciation (EBITDA) was NOK 329.2 million (204.4). Operating profit (EBIT) for the year was NOK 256.8 million (142.1). The Group's profit before tax was NOK 237.4 million (128.5).

In 2014 the Group focused on increasing capacity utilization, production efficiency and product quality. The Group also strengthened its organizational capacity and expertise for business development and product innovation to provide a platform for future growth. The Board is confident that the Company is well positioned to maintain and grow its established market positions.

The Board is pleased with the continued sales growth in the North American market for TITAN™ Gas Distribution Products and high-pressure cylinders for heavy-duty vehicles.

These developments, together with improvements and increased efficiencies in production and procurement operations contributed to significantly higher operating margins and strengthened the Company's competitive position.

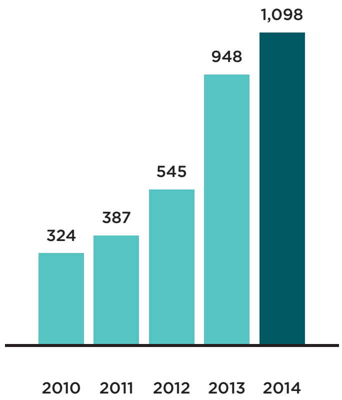
The Board is also pleased with Hexagon Ragasco's sales performance in the low pressure cylinder markets particularly outside Europe. New markets help us to balance the seasonal demand of our core European business.

In January 2014, the Group completed an agreement for the sale of Hexagon Devold in order to concentrate solely on the pressure cylinder businesses. Amounts related to Hexagon Devold are reported separately in the Company's consolidated financial statements as activities held for sale.

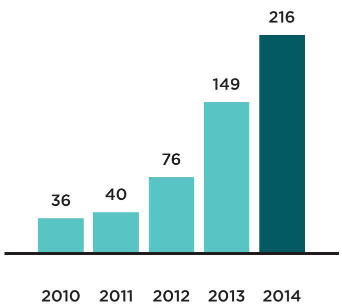
SEGMENT RESULTS

HIGH-PRESSURE CYLINDERS CNG AND CHG
HEXAGON LINCOLN AND HEXAGON RAUFOSS

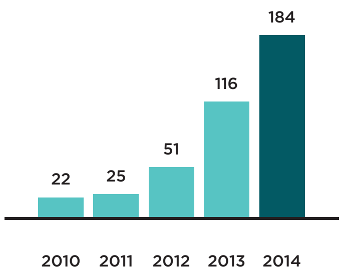
OPERATING INCOME
MNOK



EBITDA
MNOK



EBIT
MNOK



	2014	2013
Operating income	1,098.3	948.3
EBITDA	216.3	148.9
EBIT	183.9	115.6
EBITDA %	19.7 %	15.7 %
EBIT %	16.7 %	12.2 %

SALES AND MARKET
The High-Pressure Cylinders segment achieved record operating income in 2014 amounting to NOK 1,098.3 million (948.3).

Volumes improved for both our Gas Distribution Products (Mobile Pipeline™) and CNG Automotive business operations. Sales of TITAN™ and SMARTSTORE™ modules increased primarily in North and South America. Growth in CNG cylinders for heavy-duty vehicles was solid for the year, while demand for the Company's bus systems continued to gather momentum both in the US and Europe.

Sales to the passenger vehicle market grew by 51% compared with 2013, but was not sufficient for our Light-Duty Vehicle operations to make an operating profit for the year. In 2014, however, Hexagon Raufoss was nominated by a major car manufacturer to supply fuel cylinders for their vehicles from 2017 onwards. The call-off contract has a sales value up to NOK 500 million.

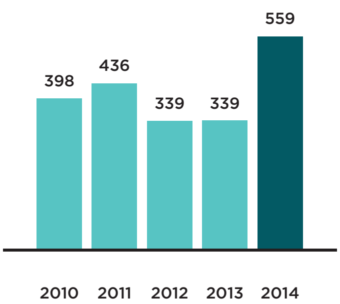
PRODUCTION
The expansion program, which is comprised of leading, automated technology, will continue into 2015 and be optimized to meet expected capacity requirements.

PROFIT/LOSS
High-Pressure Cylinders made an operating profit (EBIT) of NOK 183.9 million (115.6) in 2014. Operating margin increased to 16.7% (12.2%).

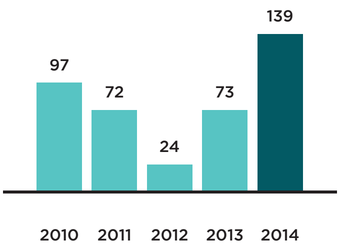
KEY DEVELOPMENTS
The business area achieved the following:
- 16% sales growth compared with 2013
- Capacity expansion programs at Hexagon Lincoln
- Further development of hydrogen programs
- Acquisition of the main assets of MasterWorks
- Strategic joint venture agreement between Hexagon Lincoln and US based Agility Fuel Systems.

LOW-PRESSURE CYLINDERS LPG
HEXAGON RAGASCO

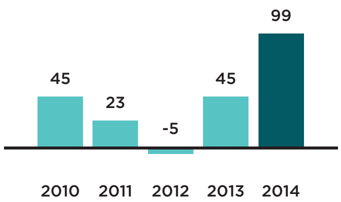
OPERATING INCOME
MNOK



EBITDA
MNOK



EBIT
MNOK



	2014	2013
Operating income	559.1	338.9
EBITDA	138.5	73.1
EBIT	99.1	44.7
EBITDA %	24.8 %	21.6 %
EBIT %	17.7 %	13.2 %

SALES AND MARKET
Operating income for our Low-Pressure Cylinders segment (Hexagon Ragasco) increased 65% to NOK 559.1 million (338.9) compared with 2013.

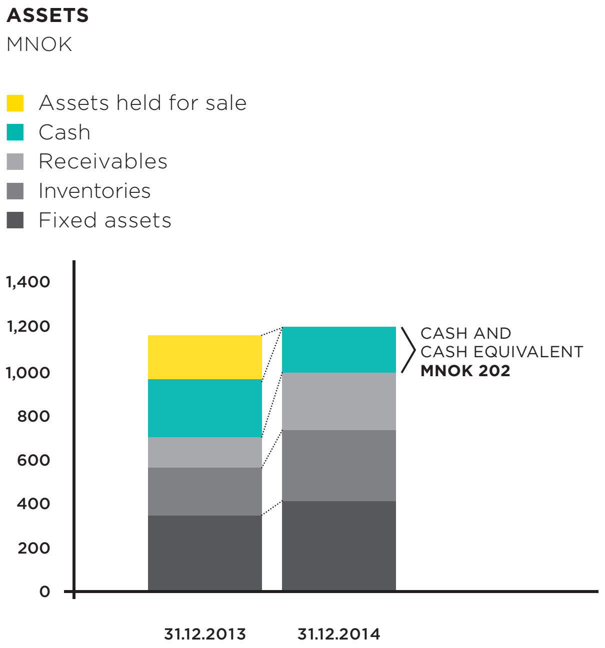
In 2014, dedicated initiatives resulted in two large contracts to Iraq and Qatar, enabling high capacity utilization and efficient, cost effective operations. Hexagon Ragasco's primary market is the leisure market in Europe normally resulting in seasonally higher sales in the first half of the year. To ensure continued growth and capacity utilization in the second half of the year, the company has focused on selected markets outside Europe.

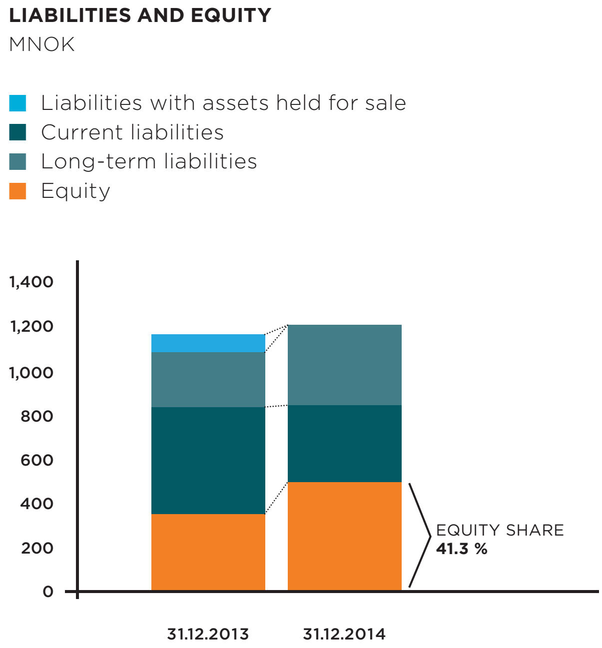
PRODUCTION
During the year, we operated at near full capacity to meet customer demand and improve capacity utilization at the Hexagon Ragasco plant in Raufoss, Norway. Production stability and volumes were satisfactory during 2014.

The Group's Russian joint venture Rugasco has met challenges with currency devaluations and a manufacturing halt. This followed a recall after certain LPG fills were found to contain quantities of additives that were higher than levels approved for this type of manufactured cylinder. The joint venture has not accepted any liability. However, the cylinders were subject to recall in accordance with our standard practices. The Group's share of losses related to the Rugasco joint venture amounted to NOK 9.6 million for the year.

PROFIT/LOSS
Low-Pressure Cylinders achieved an operating profit (EBIT) in 2014 of NOK 99.1 million (44.7). Operating margins increased to 17.7% (13.2%).

KEY DEVELOPMENTS
The business area achieved the following:
- High capacity utilization due to two large orders to Qatar and Iraq
- Record sales and production volume for the year.





THE GROUP

Hexagon Composites' headquarters are located in Ålesund, Norway. At the end of 2014, the Group's administration consisted of eleven employees, responsible for general administration, finance, procurement, strategy, business development, investor relations and communications. In addition, certain administrative services were purchased from the Flakk Group.

FINANCIAL POSITION

In 2014, the Group significantly strengthened its financial position with strong cash generation, a reduction in long-term debt and an increase in the equity ratio to 41.3% (30.6%).

Cash and cash equivalents declined by NOK 46.1 million to NOK 202.2 million at the end of the year. The main factors influencing developments for the year included a repayment of NOK 150 million of bank loans, proceeds from the divestment of Hexagon Devold, relatively large capital expenditures, payments of dividends and other financing outlays. Strong underlying operational cash generation was partly offset by an increase in working capital.

At the end of 2014, the Group's total assets increased 3.6% to NOK 1,179.6 million (1,137.3). Intangible assets and property, plant and equipment were NOK 83.9 million (87.4) and NOK 294.5 million (229.0) respectively. The increase in property, plant and equipment was primarily due to capital expenditure in the Hexagon Lincoln and Hexagon Ragasco production sites. Inventory was NOK 320.5 million (213.0). Inventories increased partly to support higher sales volumes and also due to volume leveraged discount pricing. The growth in sales volumes resulted in a corresponding increase in total outstanding receivables to NOK 206.6 million.

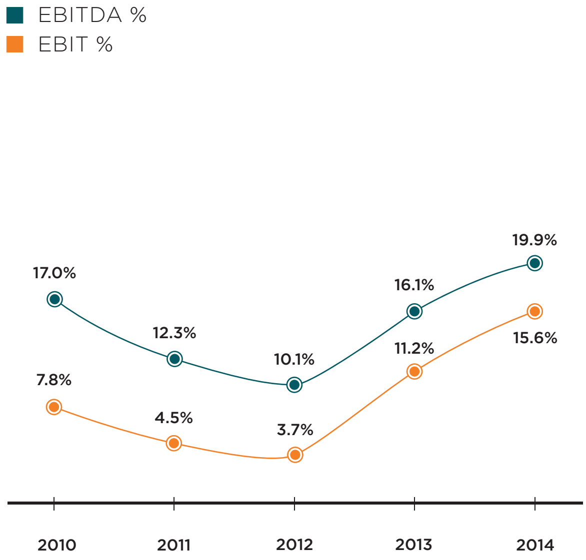
Long-term interest bearing debt declined to NOK 297.2 million (446.5). Equity was strengthened to NOK 487.1 million (348.6) due to the positive results for the year together with positive US dollar translation effects relating to Hexagon Lincoln. The Group's equity ratio was 41.3% (30.6%) at the end of 2014.

CASH FLOW AND LIQUIDITY

Total cash amounted to 202.2 million (248.3) at the end of 2014. Unused credit and overdraft facilities amounted to NOK 390.8 million (270.8). The Group expects that cash and available credit facilities will be sufficient to cover planned capital expenditures, operational requirements and financing activities in 2015.

Net cash flow from operating activities was NOK 195.3 million (163.2). Depreciation and write-downs totaled NOK 72.4 million (62.3). The difference between the operating profit and cash flow from operating activities was primarily due to changes in working capital and depreciation. Net cash flow from investment activities was NOK 4.7 million (-75.4) after receipts from the sale of Hexagon Devold of NOK 118.0 million. Net cash flow from financing activities was NOK -246.1 million (89.9).

MARGINS



LONG TERM BORROWING

Most of the Group's financing requirement is covered by an unsecured bond loan and a senior secured credit facility from DNB which is currently undrawn. Interest rate hedging agreements cover a total of NOK 250 million which is 83% of the outstanding long-term loans balance. The applicable fixed interest rates amount to 2.47% for NOK 100 million maturing in July 2018 and 3.01% for NOK 150 million maturing in December 2015. The net interest margin on our financing investments is charged in addition to these swap rates. See *Note 24* for more information.

SHARE PRICE DEVELOPMENT AND DIVIDENDS

At the end of 2014 Hexagon Composites' share value was NOK 22.80, a decrease of 29% from NOK 32.30 at the beginning of the year. This represents a market value at the end of the year of NOK 3.0 billion. By comparison, the OBX Index increased by 4% while the Industrial Index decreased by 6%.

At the end of the year the Group had 1,166,075 own shares.

A dividend of NOK 44 million was paid in 2014 relating to the previous year. A dividend of NOK 0.62 per outstanding share, NOK 81.9 million in total, will be proposed to the General Meeting of Shareholders on 21 April 2015.

RISK MANAGEMENT

Hexagon Composites works systematically to identify and manage risks. Risk management is executed by Group management and management in our subsidiary companies. The Board's audit committee reviews the overall risk management policy and procedures and the Group's internal control routines. The committee functions as a preparatory and advisory committee for the Group's Board and provides support for exercising its responsibilities relating to risk management, financial reporting, financial information and auditing.

FINANCIAL RISK

The Group has a centralized finance function with overall responsibility for accounting, cash management, capital management, financing arrangements and management of the Groups' financial risk factors. In addition, the business areas have financial controllers that perform similar tasks on the subsidiary level.

The most significant financial risks for the Group include interest rate risk, liquidity risk, currency risk and credit risk. The Group uses financial instruments to hedge risks associated with interest rate and foreign currency fluctuations. In addition to the discussion below, please see *Note 24* to the consolidated financial statements for more information related to financial risk factors and mitigating actions.

Unexpected events and potential fluctuation in cash generation from operations could result in the Group being unable to meet its financial obligations. To mitigate this risk, the Group targets a sufficient liquidity position and adequate level of credit facilities. At the end of the year, the Group had unused credit overdraft facilities totaling NOK 390.8 million (270.8). See also discussion above on cash flow and liquidity.

The Group is mainly exposed to credit risk related to counter-party default on contractual agreements and trade, and other current receivables. The Group has policies and procedures in place to secure that sales are made to customers with appropriate credit profiles within defined limits. Actual losses on outstanding receivables in 2014 were NOK 0.5 million (1.2). Trade receivables at the end of the year amounted to NOK 206.6 million (123.4)

The Group is exposed to changes in currency rates which can impact our competitive position, and have a significant effect on our reported results. The most important foreign currencies to the Group are the US Dollar and Euro. According to our finance policy we enter into forward exchange contracts to reduce this risk.

Certain of our interest-bearing liabilities have variable interest rates, which expose the Group to volatility in future interest payment amounts. The aim of the Group's interest rate management is to reduce interest expense while keeping this volatility within acceptable limits. See discussion above under *Long-term borrowing* for information relating to interest rate hedging agreements maintained by the Group.

OPERATIONAL RISK

Business risk

Business risk relates to the risk of loss and reduced profitability due to changes in our competitive position. Factors which can impact our competitive position include new players in the industry, pressure on market prices and future demand and supply factors, including the price of natural gas and the relative price of gas compared with diesel. Depending on developments, these factors can have a negative impact on our results and financial positions.

Operational and technological risk

Hexagon Composites currently has a strong position in the market, in particular due to leading technologies in its niches markets. The Company uses its expertise to develop and commercialize new products, processes and technologies. The Company has protected its products, technologies and production processes with patents where possible and deemed appropriate. However, the Company is exposed to competing technologies and processes that could have a negative effect on our competitive positions and, in turn our profitability and financial position. Hexagon Composites operates in markets with strict standards for quality and delivery. Deviations from these standards could result in significant additional costs, lost sales revenues and damage to the Company's reputation. In order to mitigate this risk, the Company has procedures and controls in place to identify and prevent deviations.

Raw materials risk

The Group is exposed to developments in the price of its raw material and in particular the cost of carbon fiber. The price of carbon fiber is primarily linked to developments in the price of oil and energy and the prevailing market balance where supply is dependent on a limited number of manufactures. To mitigate this risk the Group has a procurement policy which requires periodic fixed price agreements with its most important suppliers. The policy requires a minimum of two suppliers for the purchases of principal materials.

CORPORATE GOVERNANCE

The Group's principles for corporate governance were last revised at the Board meeting of 18 March 2015 and follow the Norwegian recommendations in NUES (Norwegian Code of Practice for Corporate Governance) updated as of 30 October 2014. The Group's principles are referred to in a separate chapter in the annual report.

CORPORATE SOCIAL RESPONSIBILITY

Hexagon Composites strives to conduct its business in an economically, socially and environmentally responsible manner. The description of corporate social responsibility (CSR) has been provided in accordance with the provision in section 3-3 (c) of the Norwegian Accounting Act. The Group's CSR principles and practices are referred to in a separate chapter in the annual report.

RESEARCH & DEVELOPMENT

In order to maintain Hexagon Composites' leading position within its niche markets, the Group invests in technological and process development. Several R&D projects are carried out in cooperation with major customers.

The Group expensed R&D costs amounting to NOK 12.1 million (6.7) in 2014. The Group has received government contributions of NOK 5.8 million (1.0) towards research and development activities for 2014. The total amount of deferred costs related to R&D amounted to NOK 33.5 million as of 31.12.2014. Costs capitalized for the year amounted to NOK 1.8 million (3.8), while amortization of deferred costs amounted to NOK 8.3 million (8.3). In addition to the directly expensed R&D costs, the Group has around 25 full-time equivalents involved in development activities.

POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

FUTURE PROSPECTS

The Board expects that the Hexagon Composites Group will consolidate its strong market positions and continue to deliver robust results despite the near-term uncertainty caused by oil price volatility.

The Group has strengthened its organization substantially during 2014, and the Board believes the Company is well positioned to pursue attractive business opportunities and successfully achieve its long term growth ambitions.

Key focus areas in 2015 will include:

- Continued development of the Gas Distribution Products (Mobile Pipeline™) market opportunities
- Development of market opportunities within Low-Pressure Cylinders
- Increased investment in product innovation to leverage the Company's competitive advantage.

The Board expects growth for 2015 as a whole. However, short-term negative impacts to growth and profitability due to recent oil price volatility are expected. The Group is well positioned and sufficiently diversified to absorb such short-term impacts, while realizing the longer-term potential of natural gas as a competitive, price-stable and abundant alternative to diesel fuel.

Our financial position is strong, with considerable unused liquidity reserves. Investments in new capacity are being made in order to maintain or strengthen the Company's market share.

The strengthening of the USD relative to NOK is positive to the Group's equity due to the large positive contribution from our US operations. The strengthening of the EUR is also positive for our Norwegian operations since our export sales to Europe are mainly denominated in EUR or USD while our cost base is in NOK.

The Board emphasizes that there is always uncertainty associated with assessments of future circumstances.

GOING CONCERN

According to section 3-3a of the Norwegian Accounting Act, the Board confirms that the financial statements have been prepared on the assumption of a going concern.

THE PARENT COMPANY

The Parent Company Hexagon Composites ASA incurred an operating loss of NOK -28.1 million (-18.6) in 2014 and a profit of NOK 72.1 million (30.7).

The Board of Hexagon Composites ASA proposes that the profit for the year is allocated as follows:

Allocated to dividends	81.9
Transferred from/to other equity	-9.8
Total allocations	**72.1**

Ålesund, 18 March 2015
The Board of Directors of Hexagon Composites ASA

Knut Flakk	Kristine Landmark	Sverre Narvesen	May Britt Myhr	Tom Vidar Rygh	Jon Erik Engeset
Chairman of the Board	Deputy Chair	Board Member	Board Member	Board Member	Group President

FINANCIAL STATEMENTS 2014

FINANCIAL STATEMENTS GROUP

FINANCIAL STATEMENTS PARENT COMPANY

STATEMENT FROM THE BOARD AND MANAGEMENT

AUDITOR’S REPORT

INCOME STATEMENT GROUP
01.01 – 31.12

(NOK 1 000)	NOTE	2014	2013
	5		**Restated**
OPERATING INCOME			
Sales revenue	4	1 650 829	1 271 621
Total operating income		**1 650 829**	**1 271 621**
OPERATING EXPENSES			
Cost of materials	13	812 026	667 545
Payroll & social security expenses	9,18,27	321 407	236 005
Depreciation and impairment	10,11	72 363	62 298
Other operating expenses	5,14,19,23	188 245	163 710
Total operating expenses		**1 394 041**	**1 129 558**
Operating profit	**4**	**256 788**	**142 064**
FINANCE INCOME AND EXPENSES			
Finance income	6,24	44 181	45 794
Finance expense	6,20,21	53 996	55 190
Net financial items		**-9 815**	**-9 396**
Profit/loss from associates and joint ventures	2,5,26	-9 554	-4 224
Profit before tax		**237 419**	**128 443**
Tax expense	7	77 072	41 742
Profit/loss for the year from continuing operations		**160 347**	**86 702**
Profit/loss for discontinued operations	5	4 325	2 941
Profit/loss for the year	**24,26**	**164 672**	**89 643**
Earnings per share (NOK)			
Ordinary	8	1.24	0.67
Diluted	8	1.24	0.67
Earnings per share for continuing operations (NOK)			
Ordinary	8	1.21	0.65
Diluted	8	1.21	0.65

STATEMENT OF COMPREHENSIVE INCOME

(NOK 1 000)	NOTE	2014	2013 Restated
Profit/loss after tax		164 672	89 643
ITEMS THAT WILL BE RECLASSIFIED THROUGH PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Translation differences when translating overseas activities		46 581	16 902
Actual gains or losses on instruments used for cash flow hedging	24	-382	83
Tax on actual gains or losses on instruments used for cash flow hedging	7	103	-66
Net total of items that will be reclassified through profit and loss in subsequent periods		**46 302**	**16 919**
ITEMS THAT WILL NOT BE RECLASSIFIED THROUGH PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Actuarial gains/losses for the period	18	-2 314	3 479
Tax on actuarial gains/losses for pensions for the period	7	625	-974
Net total of items that will not be reclassified through profit and loss in subsequent periods		**-1 689**	**2 505**
Comprehensive income for the period		**209 285**	**109 067**

FINANCIAL POSITION OF THE GROUP

(NOK 1 000)	NOTE	2014	2013
	5		Restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	10	294 462	228 963
Intangible assets	11	83 922	87 415
Net pension assets	18	255	288
Investments in associates and joint ventures	2,5,26	0	26
Other non-current assets	12	4 597	3 529
Deferred tax asset	7	23 163	20 302
Total non-current assets		**406 398**	**340 524**
CURRENT ASSETS			
Inventories	13	320 468	213 026
Trade receivables	14	206 577	123 410
Other current assets	15	43 993	18 117
Bank deposits, cash and cash equivalents	16	202 179	248 303
Total current assets		**773 216**	**602 855**
Assets held for sale	5	0	193 967
Total assets	**4,24,26**	**1 179 615**	**1 137 346**

FINANCIAL POSITION OF THE GROUP

(NOK 1 000)	NOTE	2014	2013
			Restated
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	13 329	13 329
Share premium	17	82 955	82 955
Own shares	17	-117	-106
Other paid-in capital		7 602	7 602
Total paid-in capital		**103 770**	**103 781**
Other equity		383 338	244 782
Total other equity		**383 338**	**244 782**
Total equity		**487 109**	**348 564**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	6,20,23	297 243	446 466
Interest and currency derivatives	24	7 334	4 247
Pension liabilities	18	3 374	1 932
Deferred tax liabilities	7	25 863	14 018
Total non-current liabilities		**333 815**	**466 663**
CURRENT LIABILITIES			
Short-term loans	6,16,21,23	0	0
Trade payables and other current liabilities	22,24,26	301 941	211 897
Income tax payable	7	29 551	8 003
Provisions	19	27 200	21 943
Total current liabilities		**358 691**	**241 844**
Liabilities directly associated with assets held for sale		0	80 275
Total liabilities	**4,24,26**	**692 506**	**788 782**
Total equity and liabilities		**1 179 615**	**1 137 346**

Ålesund, 18 March 2015
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman

Kristine Landmark
Deputy Chair

Sverre Narvesen
Board Member

May Britt Myhr
Board Member

Tom Vidar Rygh
Board Member

Jon Erik Engeset
Group President

CASH FLOW STATEMENT GROUP

(NOK 1 000)	NOTE	2014	2013
	5		**Restated**
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		237 419	128 443
Tax paid for the period	7	-52 069	-38 117
Depreciation/amortisation	10,11	72 363	54 593
Impairment loss	11	0	7 705
Interest income	6	-3 227	-3 430
Interest expenses	6	26 244	23 243
Profit/loss from associates and joint ventures	26	9 554	4 224
Changes in inventories, trade receivables and payables		-154 345	-32 277
Changes in pension liabilities	18	-839	-184
Changes in other accrual accounting entries [1)]		60 166	19 001
Net cash flow from operating activities		**195 266**	**163 200**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Sale of property, plant & equipment	10	1 212	0
Purchase of property, plant & equipment	10	-105 341	-71 119
Purchase of intangible assets	11	-1 849	-3 695
Net proceedes sale of subsidiary		118 016	0
Interest received	6	3 227	3 450
Other investments		-10 595	-1 407
Net cash flow associated with activities held for sale	5	0	-2 587
Net cash flow from investing activities		**4 670**	**-75 358**
CASH FLOW FROM FINANCING ACTIVITIES			
New non-current liabilities	20,23	0	296 250
Repayment of non-current liabilities	20,23	-150 000	-150 000
Bank overdraft payments	21	0	-18 067
Interest payments	6	-25 321	-18 342
Payments of dividends		-43 967	-19 991
Purchase of own shares		-26 773	0
Net cash flow from financing activities		**-246 060**	**89 850**
Net change in cash & cash equivalents		-46 124	177 693
Cash & cash equivalents at beginning of period		248 303	70 610
Cash & cash equivalents for continuing operations at end of period	**16**	**202 179**	**248 303**

1) Of which NOK 19 357 thousand (4 625 thousand) relates to currency translation on cash & cash equivalents.

Undrawn group overdraft facility	16	90 783	120 783
Undrawn credit facility at DNB	16,20	300 000	150 000
Restricted funds, included in cash & cash equivalents	16	6 359	4 898

STATEMENT OF CHANGES IN EQUITY

(NOK 1 000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	HEDGING RESERVE	OTHER PAID-IN EQUITY	TRANS-LATION DIFFER-ENCES	OTHER EQUITY	TOTAL
Balance 1.1.2013	13 329	-106	82 955	-3 117	7 602	-5 992	164 816	259 488
Dividends to shareholders							-19 993	-19 993
Profit/loss for the year							89 643	89 643
OTHER COMPREHENSIVE INCOME								
Translation differences when translating foreign activities						16 902		16 902
Actuarial gains/losses for the period							2 505	2 505
Actual gains or losses on instruments used for cash flow hedging				17				17
Total other comprehensive income				**17**		**16 902**	**2 505**	**19 425**
Balance as of 31.12.2013	**13 329**	**-106**	**82 955**	**-3 100**	**7 602**	**10 910**	**236 973**	**348 564**

(NOK 1 000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	HEDGING RESERVE	OTHER PAID-IN EQUITY	TRANS-LATION DIFFER-ENCES	OTHER EQUITY	TOTAL
Balance 1.1.2014	13 329	-106	82 955	-3 100	7 602	10 910	236 973	348 564
Dividends to shareholders							-43 967	-43 967
Movement in own shares etc.		-11					-26 762	-26 773
Profit/loss for the year							164 672	164 672
OTHER COMPREHENSIVE INCOME								
Translation differences when translating foreign activities						46 581		46 581
Actuarial gains/losses for the period							-1 689	-1 689
Actual gains or losses on instruments used for cash flow hedging				-279				-279
Total other comprehensive income				**-279**		**46 581**	**-1 689**	**44 613**
Balance as of 31.12.2014	**13 329**	**-117**	**82 955**	**-3 379**	**7 602**	**57 491**	**329 227**	**487 109**

Own shares comprise cost of acquisition for the Company's shares owned by the Group. As of 31 December 2014, the Group owned 1 166 075 (20 727) own shares.

Other equity includes accumulated actuarial gains/losses for pensions after tax of NOK -19 298 thousand (change of NOK -1 689 thousand from NOK -17 609 thousand as of 31.12.2013).

NOTES

NOTE 1 GENERAL

Hexagon Composites ASA is a public limited Company with its registered office in Norway. The Company's headquarters is at Korsegata 4B, 6002 Ålesund, Norway.

The Board of Directors authorised the annual report for publication on 18 March 2015.

The Group's operations are described in note 4.

NOTE 2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the EU as of 31.12.2014.

The measurement basis used is historical cost, with the exception of financial derivatives at fair value through profit or loss and financial derivatives used as cash flow hedges that are recognised at fair value.

The consolidated financial statements have been prepared using uniform accounting policies for equivalent transactions and events under otherwise identical circumstances.

2.2. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Group's presentation currency is NOK. This is also the Parent Company's functional currency. Subsidiaries with different functional currencies are translated at the balance sheet date exchange rate for balance sheet items and at the weighted average exchange rate during the period for income statement items. Translation differences are recognised in the statement of total comprehensive income.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise Hexagon Composites ASA and the companies over which Hexagon Composites ASA has control. Control normally exists when the Group owns more than 50% of the shares in a company, and the Group is in a position to exercise actual control over the company. Reference is made to note 30 which contains a list of subsidiaries and associates, note 25 and 26 which lists joint operations and joint ventures respectively.

Business combinations are accounted for using the acquisition method, and transaction costs are expensed as incurred.

The consideration for an acquisition is measured at fair value at the acquisition date and consists of cash and contingent consideration. Contingent consideration is classified as a liability in accordance with IAS 39 and is measured at fair value in subsequent periods, with any gains or losses recognised in profit or loss. The assumptions for exercising the contingent consideration are described in note 5.

All assets acquired and liabilities assumed in a business combination are classified and designated in accordance with the contractual terms, economic conditions and other factors that exist on the acquisition date, and are measured at their acquisition-date fair values.

The purchase price allocation may be adjusted if new information is obtained about the fair value on the date on which control was obtained. However, the allocation can be changed to up to 12 months after the acquisition date. Any non-controlling interest in the acquiree is measured at fair value or as the non-controlling interest's proportionate share of the acquiree's identifiable assets and liabilities. A choice of method is made for each individual business combination.

In a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest is measured, and any fair-value changes are recognised in profit or loss.

Goodwill is the difference between the aggregate of the consideration and recognised value of the non-controlling interests and the fair value of previously held equity interests with deductions for the net value of identifiable assets and liabilities calculated on the acquisition date. Goodwill is not depreciated, but is tested annually for impairment. During impairment testing, goodwill is allocated to cash generating units or groups of cash generating units which are expected to achieve synergies from the business combination.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

2.4 INVESTMENT IN ASSOSIATES AND JOINT VENTURES

Associates are entities where the Group has significant influence, but not control, over financial and operating policies (normally a holding of between 20% and 50%).

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether the Group has joint control or significant influence over an entity are similar to those necessary to determine control over subsidiaries. For more detailed description of the Group's considerations regarding level of influence and joint control as well as classification of joint arrangement, see note 26.

Associates and joint ventures are accounted for using the equity method from the date when significant influence or joint control is achieved until such influence ceases.

Investments in an associates or joint ventures are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

If there is an indication that the investment in the associate or joint venture is impaired, the Group will perform an impairment test of the carrying amount of the investment. Any impairment losses are recognised as share of profit of an associate and a joint venture in the statement of profit or loss.

If the Group's share of the loss equals or exceeds the carrying amount of the associate or joint venture, the carrying amount is set to zero and further loss is not recognised unless the Group has incurred a legal or constructive obligation on behalf of the associate or joint venture.

Upon loss of significant influence over the associate or joint control over the joint venture, and as such the equity method ceases, the Group measures and recognises any retained investment at its fair value.

2.5 JOINT OPERATIONS

A joint operation is a joint arrangement whereby the Group and the other parties that have joint control over the arrangement, have contractual rights to the assets and obligation for the liabilities relating to the arrangement. All decisions about the relevant activities require unanimous consent.

When assessing if a joint arrangement is a joint operation, the Group assesses the structure of the arrangement, the legal form, the contractual agreement and other facts and circumstances. For a detailed description of the Group's assessment regarding joint operation, see note 25.

The Group recognises its assets, liabilities, revenue and expenses and its relative share of assets, liabilities, revenue and expenses of the joint operation.

When the Group enters into transactions with a joint operation in which it is a joint operator, the Group recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

2.6 CASH AND CASH EQUIVALENTS

Cash & cash equivalents consist of cash in hand and at bank. Any positive balances against bank overdrafts are included as a component of cash and cash equivalents in the cash flow statement. The cash flow statement has been prepared using the indirect method. Bank overdrafts are reported under short-term loans in the balance sheet.

2.7 TRADE RECEIVABLES

Trade receivables are recognised at fair value less impairment losses. Nominal value does not normally differ significantly from amortised cost.

2.8 INVENTORIES

Inventories are recognised at the lower of historical cost and net realisable value. Net realisable value is the estimated selling price (in the normal course of business) less the estimated costs of completion, marketing and distribution. Cost is based on the average cost price, and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Goods produced by the Company itself include variable and fixed costs that can be allocated based on normal capacity utilisation.

2.9 PROPERTY, PLANT & EQUIPMENT

Items of property, plant and equipment are carried at cost, less accumulated depreciation and impairment. An asset is removed from the balance sheet on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is recognised in the income statement.

The cost of an item of property, plant and equipment includes its original purchase price and all costs necessary to bring the asset to working condition for its intended use. Subsequent expenditure on repair and maintenance of assets is recognised as an expense in the income statement, while expenses that are expected to generate future economic benefits are capitalised.

The cost of a non-current asset is depreciated to the residual value over the asset's useful life. The following depreciation periods apply:

- Buildings 10-20 years
- Machinery and equipment 4-15 years
- Fixtures & fittings, motor vehicles 3-10 years

If an item of property, plant and equipment has different parts with different useful lives, the parts are depreciated separately if the cost is significant in relation to the total cost of the item.

In most cases, depreciation is calculated on a straight-line basis, although the Group also uses the unit of production method (number of units expected to be produced).

The depreciation period and method are assessed annually. The same applies to residual value. When the carrying amount of property, plant and equipment exceeds the estimated recoverable amount, the value is written down to the recoverable amount.

Assets under construction are classified as property, plant and equipment and are carried at cost until its manufacture or development is completed. Assets under construction are not subject to depreciation until the assets are taken into use.

2.10 LEASING – GROUP AS A LESSEE

Finance leases

A lease is classified as a finance lease if it transfers to the Group substantially all the risks and rewards incidental to ownership of a leased asset. At the inception of the lease term, finance leases are recognised at the lower of the fair value and the present value of the minimum lease payments. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine. If not, the Company's incremental borrowing rate is used. Direct costs in connection with the establishment of a lease are included in the cost of the asset.

The same depreciation period is used as for the Company's other depreciable assets. If there is no reasonable certainty that the Company will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the lease term and the useful life of the asset.

Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the asset. Lease payments are classified as an operating expense and are recognised as an expense over the lease term.

2.11 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised on the date the Group becomes a party to the instruments' contractual terms. A financial asset is derecognised when the contractual rights to the cash-flow expires or when the Group transfers substantially all the risk and rewards of the ownership of the financial asset. Financial liabilities are derecognised on the date the obligation specified in the contract are discharged, cancelled or expire.

In accordance with IAS 39, Financial instruments: Recognition and measurement, financial instruments within the scope of IAS 39 are classified in the following categories: at fair value with changes in value through profit or loss, held to maturity, loans and receivables and other liabilities.

Financial assets and liabilities measured at fair value through profit or loss

The Group has forward exchange contracts that are measured at fair value with gains or losses through profit or loss. Interest rate derivatives that do not qualify as hedges are measured at fair value with gains or losses through profit or loss. The financial instruments are classified as current assets or liabilities or non-current assets or liabilities based on the maturity of the financial instrument.

Gains or losses are recognised on an ongoing basis in the period they arise and are recognised in finance income or finance expense in the income statement.

Financial assets and liabilities measured at amortised cost

Trade receivables, other non-current and current receivables and bank deposits, cash and cash equivalents are valued at amortised cost based on expected cash flows. They are measured at fair value when measured for the first time, with the addition of any transaction costs.

Interest-bearing liabilities and other liabilities are measured at their fair value less associated transaction costs on the establishment date. In subsequent periods, financial liabilities are recognised at their amortised cost calculated using the effective interest rate.

Receivables and liabilities are non-derivative financial assets and liabilities with fixed or determinable payments that are not traded in one active market. They are classified as current assets or current liabilities, unless they fall due more than 12 months after the balance sheet date, in which case they are classified as non-current assets or non-current liabilities.

2.12 HEDGING

The Group uses forward currency contracts to reduce currency exposure, but does not use hedge accounting associated with the currency instruments.

Cash flow hedges

The Group uses hedge accounting of hedging instruments entered into to reduce its interest exposure. Interest rate hedging instruments classified as cash flow hedging are recognised at fair value on the establishment date. Subsequent changes in value are recognised in other income and expenses in the statement of comprehensive income.

The portion of gain or loss on a hedging instrument that is determined to be effective is recognised in total comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

If the hedging instrument is sold, the accounting treatment differs according to whether the forecast transaction (the hedged item) is expected to occur. If the forecast transaction is expected to occur, the cumulative gain or loss on the hedging instrument shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. If the forecast transaction is not expected to occur, gains and losses accumulated in equity shall be reclassified from equity to profit or loss.

If the hedging instrument is no longer effective, but the forecast transaction is still expected to occur, the cumulative gain or loss on the hedging instrument shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. Subsequent gains or losses on the hedging instrument are recognised immediately in profit or loss.

If the forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss on the hedging instrument that was recognised in total comprehensive income is reversed and recognised in profit or loss.

2.13 INTANGIBLE ASSETS

Intangible assets acquired independently are recognised at cost. The cost of intangible assets acquired as part of acquisitions is recognised at fair value in the Group's opening balance. Capitalised intangible assets are recognised at cost less any amortisation and impairment.

Internally generated intangible assets, with the exception of capitalised development expenses, are not capitalised, but recognised as incurred.

Useful life is determined and intangible assets are depreciated over the useful life and tested for impairment if there is an indication that they are impaired. The amortisation method and period are assessed at least annually. Changes to the amortisation method and/or period are accounted for as a change in estimate.

Goodwill

Assets and liabilities acquired in a business combination are recognised at fair value in the Group's opening balance. Non-controlling interests in the acquiree are measured at fair value or as the non-controlling interest's proportionate share of the acquiree's identifiable assets and liabilities. A choice of method is made for each individual business combination. The difference between the consideration transferred and the fair value of the net identifiable assets at the time of acquisition is classified as goodwill. It is allocated to cash-generating units or groups of cash generating units which are expected to achieve synergies from the business combination.

Goodwill is recognised in the balance sheet at cost, less any accumulated impairment. Goodwill is not amortised, but is tested annually for impairment. Cash generating units are measured at a higher level than other assets, with 'operating segment' being the highest level. An impairment loss is recognised when the recoverable amount is lower than the carrying amount.

Patents and licences

Amounts paid for patents and licences are recognised in the balance sheet and are amortised on a straight-line basis over their useful life. The expected useful life of patents and licences varies between 6 and 17 years.

Technology development

Research costs are expensed as incurred. The development costs of projects (relating to the design and testing of new or improved products) are capitalised as intangible assets if all the following criteria are met:

a) it is technically feasible to complete the asset for future use or sale;
b) it is the management's intention to complete the asset and use or sell it;
c) it is possible to use or sell the asset;
d) it can be demonstrated how the asset will generate future economic benefits;
e) technological and financial resources are available to complete the asset; and
f) the costs can be reliably measured.

Other development costs are recognised as incurred. Development costs that have previously been expensed are not recognised in subsequent periods. Capitalised development costs are amortised on a straight line basis over the estimated useful life of the asset or using the unit of production method, when the use of time is closely linked to production equipment that is depreciated according to the unit of production method.

Capitalised development costs with an indefinite useful life or related to projects under development are tested annually for impairment in accordance with IAS 36.

Customer relationships

Purchased customer contracts have a finite useful life, and are recognised at cost less amortisation. Customer contracts and technology are amortised using the straight line method over their estimated useful lives (2 to 20 years).

2.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets with an indefinite useful life are not amortised, but are tested annually for impairment. Items of property, plant and equipment and intangible assets are tested for impairment if there is reason to believe that future earnings do not justify the asset's carrying amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

When testing for impairment, non-current assets are grouped at the lowest level at which it is possible to distinguish independent cash inflows (cash generating units). A cash generating unit is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets. At each reporting date, the Company considers the possibility of reversing previous impairment losses on non-financial assets (except goodwill and other intangible assets with an indefinite useful life).

2.15 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is significant, the provision is calculated by discounting anticipated future cash flow using a discount rate before tax that reflects the market's pricing of the time value of money and, if relevant, risks specifically associated with the obligation.

A provision for guarantees is recognised when the underlying products or services are supplied. The provision is based on historical information about guarantees and a weighting of all possible outcomes by their associated probabilities. A provision for onerous contracts is recognised when the group's expected economic benefits under the contract are lower than the unavoidable costs of meeting the obligations under the contract.

2.16 EQUITY

(I) Own shares

In the event of a share buy-back, the purchase price and any directly associated costs are recognised as a change in equity. Own shares are reported as a reduction in equity. Gains or losses on share buy-back transactions are not recognised.

(II) Costs arising from equity transactions

Transaction costs directly linked to an equity transaction are recognised directly in equity.

(III) Other equity

(a) Translation differences
Translation differences arise in connection with exchange differences on consolidation of foreign operations, and are recognised in other comprehensive income.

On disposal of a foreign operation, cumulative translation differences are reversed and recognised in profit or loss in the same period in which the gain or loss on the disposal is recognised.

(b) Change in actuarial gains/losses (pension commitments)
Actuarial gains or losses resulting from changes in assumptions and basic data are recognised directly in other comprehensive income.

(c) Dividends
Proposed dividends are classified as other equity until they are approved by the general meeting of Hexagon Composites ASA.

(IV) Other paid-in capital – Share-based payments
When the Group had incentive programs including options, fair value of management's options to subscribe for shares was recognised, with a corresponding increase in other paid-in capital, over the period in which the performance and/or service conditions were fulfilled. The fair value was calculated on the grant date using the Black & Scholes model.

(V) Hedging reserve
Forward exchange contracts and interest rate derivatives that qualify as hedging instruments (cash flow hedges) are recognised at fair value, with a corresponding entry in total comprehensive income, and transferred to the revaluation reserve (net of tax). Realised gains or losses are recognised in profit or loss to offset gains or losses on the items that were hedged.

2.17 REVENUE RECOGNITION
The Group's main revenues come from the sale of its own products in the different segments:

- Low-Pressure Cylinders
- High-Pressure Cylinders

Revenue is recognised to the extent that it is probable that transactions will generate future economic benefits for the Company and the revenue can be reliably measured. Sales revenue is stated net of VAT and discounts.

Revenue from the sale of goods and services is recognised when delivery has taken place and the significant risks incidental to ownership of the goods have passed to the buyer. Royalties are recognised when earned in accordance with the substance of the relevant royalty agreement. Interest income is recognised as interest accrues.

Dividends are recognised when the shareholders' right to receive the payment is established by the annual general meeting.

2.18 FOREIGN CURRENCY
Transactions in foreign currency
Foreign currency transactions are translated at the exchange rates existing at the date of the transactions. Monetary items denominated in foreign currencies are translated to functional currency using the exchange rates ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates at the dates of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise.

Foreign operations
Assets and liabilities of foreign operations with a functional currency that differs from the presentation currency are translated to functional currency using the exchange rate on the balance sheet date. Income and expense from foreign operations is translated to functional currency using the weighted average exchange rate (if the average does not provide a reasonable estimate of the cumulative effects of using the transaction rate, the transaction rate is used). Translation differences are recognised in other comprehensive income.

Translation differences arising from the translation of net investments in foreign operations, and from related hedged items, are classified as translation differences in total comprehensive income. Translation differences in total comprehensive income are transferred to the income statement on the disposal of a foreign operation.

2.19 EMPLOYEE BENEFITS
Defined benefit pension plans
The Group's Norwegian companies have benefit pension plans. The defined benefit liability is the net total of the present value of future pension benefits accrued at the balance sheet date, minus the fair value of plan assets.

In previous years the discount rate has been based on the 10 year government bond interest rate with a markup for the duration of the pension liability exceeding 10 years. As of 31.12.2013 the Group changed this to the discount rate being based on interest on corporate bonds with a high credit rating. The Norwegian market for bonds with preferential rights is considered to have the features that would indicate that it can be used as a basis in the calculation of the discount rate. The expected return on pension plan assets is calculated with the same interest rate that is used for the discounting of the pension liabilities. Returns exceeding the discount rate are recognised in other comprehensive income. The net interest expense from gross pension liabilities and plan assets is presented as wages and salaries.

The actuary calculations are carried out by a qualified actuary and are based on the projected unit credit method. Actuarial gains or losses are recognised directly in other comprehensive income.

There are different schemes in place at the Group's companies. Pension benefits are dependent on age, length of service and salary. The net retirement benefit expense for the period (gross expense less estimated return on plan assets) is included in the item Payroll & social security expenses. Employer's contributions are included in the figures and are calculated on the basis of the net pension liability.

Any introduction of a new defined benefit plan or an improvement to the present plan will involve changes to the retirement benefit obligation. These are recognised as an expense on a straight-line basis until the effect of the change has been accommodated. The introduction of new plans or changes to existing plans which take place retrospectively, thereby qualifying employees for a free policy (or change to a free policy), are recognised immediately. Gains or losses on the curtailment or settlement of pension plans are recognised when the curtailment or settlement occurs.

Multi-employer plans
Some of the Norwegian employees participate in a AFP pension scheme. The scheme is a defined benefit multi-employer pension plan, funded through premiums that are defined as a percentage of salary. The scheme's retirement benefit obligation and plan assets cannot be reliably measured and allocated at present. For accounting purposes, the scheme is treated as a defined contribution plan, with premium payments expensed as incurred, and no provisions made in the accounts.

Defined contribution pension plans

In December 2008, the Company decided to terminate the defined benefit pension plan for the Norwegian employees under 52 years of age on the date of transfer. These employees joined a defined contribution pension plan with effect from 1 January 2009. Employees over the age of 52 on the date of transfer continued to be members of the defined benefit plan. The Group's companies in the US and Sweden have defined contribution pension plans.

Pension premiums relating to defined contribution plans are recognised as an expense as they are incurred.

Share-based payment

Senior executives in the Group have previously received options to subscribe for shares in the Parent Company. The fair value of the share options was measured at the grant date and the cost was recognised, together with a corresponding increase in other paid-in capital, over the period in which the performance and/or service conditions were fulfilled. The fair value was calculated using the Black & Scholes model. The employer's contribution was accrued over the period in which the service conditions were fulfilled, based on the intrinsic value. A new incentive programme for senior executives was established in 2010 and existing, granted options continued until August 2012. As at 31.12.2014 the incentive programme does not include options.

2.20 GOVERNMENT GRANTS

Government grants, including the Skattefunn tax incentive scheme, are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to them, and that the grants will be received. Grants are entered as deductions against the cost that they are intended to compensate. Investment grants are capitalised and recognised as income on a systematic basis over the useful life of the asset. Investment grants are recognised by deducting the grant from the asset's carrying amount.

2.21 INCOME TAXES

Tax expense comprises current tax expense and deferred tax expense. Deferred tax liabilities are recognised for all taxable temporary differences, except in the following cases:

- When deferred tax assets arise due to first-time classification of goodwill or of an asset or liability in a transaction that is not a business combination and does not impact on either the accounting or tax gain or loss on the transaction date, and
- Taxable temporary differences related to investments in subsidiaries, associates and joint ventures, where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available to offset against deductible temporary differences and the carryforward of unused tax losses and unused tax credits. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognised at nominal value and are classified as non-current assets and non-current liabilities in the balance sheet. Deferred tax is presented as a gross amount for the geographical countries in which the Group operates.

Deferred tax is recognised directly in total comprehensive income if the tax items relate to items recognised in total comprehensive income. Deferred tax is recognised directly in equity if the tax items relate to items recognised directly in equity.

2.22 SEGMENTS

For management purposes, the Group is organised into different business areas according to product/service range. The Group's segment reporting format is business areas. Financial information relating to segments and geographical areas is presented in note 4.

The Group is organised into the following business areas:

- Low-Pressure Cylinders – Hexagon Ragasco
- High-Pressure Cylinders – Hexagon Lincoln / Hexagon Raufoss / Hexagon Technology

In segment reporting, internal gains on sales between segments are eliminated.

2.23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Group.

2.24 EVENTS AFTER THE BALANCE SHEET DATE

The amounts recognised in the financial statements are adjusted to reflect new information received after the balance sheet date that provide evidence of conditions that existed at the balance sheet date ("adjusting events"). The amounts recognised in the financial statements are not adjusted to reflect new information that are indicative of conditions that arose after the reporting period ("non-adjusting events"), but non-adjusting events are disclosed if material.

2.25 NEW ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year. Below we have listed the amendments in IFRS which have been applicable for the Group's financial statements, as well as the effect of the amendments.

The Group implemented new standards which require restatement of previous accounting periods, including IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements. Additional note requirements have also been required due to the implementation of IFRS 12 Disclosure of Interests in Other Entities.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements has amended the definition of control. The effect of implementation of IFRS 10 has not had any effect for the Group.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements removes the option to account for jointly controlled entities using proportionate consolidation. All entities meeting the definition of a joint venture in IFRS 11 Joint Arrangements must be accounted for using the equity method.

The implementation of IFRS 11 Joint Arrangements resulted in changes to the accounting of one jointly controlled entity Rugasco LLC. The Group has 49% of the ownership interests and 50% voting rights in Rugasco LLC. Until 31.12.2013 Rugasco LLC was accounted for by using proportionate consolidation. As a consequence of implementing IFRS 11 Joint Arrangements Rugasco LLC has now been assessed as a joint venture and will be accounted for by using the equity method. The change in the accounting method does not affect the profit or the equity, however if does have effect on certain other items in the profit and loss and balance sheet. The accounting effect of the implementation is included in note 5.

IFRS 12 Disclosure of Interests in Other Entities IFRS 12

Disclosure of Interests in Other Entities applies for the Group's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures requirements have been extended. The Group does not have any unconsolidated entities. The disclosure requirements regarding subsidiaries, joint arrangements and associates can be found in note 25, 26 and 30.

2.26 NEW AND AMENDED IFRSS AND IFRICS WITH FUTURE EFFECTIVE DATES

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 9 Financial Instruments

IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. The Standard is not yet approved by the EU. For entities outside the EU/EEA the Standard will be effective for accounting periods beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). The Standard is not yet approved by the EU. For entities outside the EU/EEA with a statutory obligation to keep accounts, the Standard will be effective for accounting periods beginning on or after 1 January 2017.

The Group has not yet considered if IFRS 9 Financial Instrument or IFRS 15 Revenue from contracts with customers will impact the financial statements.

Other issued standards and interpretations, that are not yet effective, are not applicable for the Group, and will not have an impact on the financial statements.

NOTE 3 ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies in accordance with IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the managements best knowledge. Estimates and assumptions are regularly reassessed and are based on historical experience and other factors, including forecast events that are considered probable under current circumstances.

The Group prepares estimates and makes assumptions about the future. The accounting estimates based on this process are, by definition, rarely completely in line with the final outcome. Estimates and assumptions represent a risk of material changes in the carrying amounts of assets and liabilities over the next financial year.

The Group's most significant accounting estimates are related to the following items:

- Depreciation/amortisation of property, plant & equipment and intangible assets.
- Recognition of intangible assets.
- Impairment of goodwill
- Fair value of assets and liabilities acquired in a business combination.
- Deferred tax asset
- Product warranty provisions

Depreciation/amortisation of property, plant & equipment and intangible assets

Group management determines the useful lives and depreciation rates for items of property, plant & equipment and intangible assets. The expected useful life of the Group's production equipment is largely dependent on technological development. The present depreciation period is 3-20 years, but an uncertainty exist for the interval between 10-20 years.

A part of a production line at Hexagon Ragasco is depreciated in accordance with the unit method, i.e. in accordance with the number of cylinders produced. The useful life is estimated on the basis of 8 000 000 cylinders, but an uncertainty exists for production in excess of 8 000 000 cylinders.

Depreciation for a part of the production line for the Titan™ cylinders at Hexagon Lincoln is based on the unit of production method, i.e. in accordance with the number of cylinders produced. The useful life is estimated on the basis of 5 000 Titan™ cylinders, and depreciation is applied on the basis of the annual number of units produced. The same depreciation method and basis is used for capitalised development costs associated with the Titan™ cylinder. An uncertainty exists for the production in excess of 5 000 cylinders. See also notes 10 and 11.

Recognition of intangible assets

There is uncertainty about the date for when the criteria for recognition of intangible assets are satisfied. The management uses the starting point that the Group first commences capitalisation when there is an identifiable intangible asset that is controlled by the Group and is expected to create future earnings.

There is uncertainty associated with the valuation and allocation of the cost of acquisition for intangible assets.

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to project plan. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2014, the carrying amount of capitalised development costs was NOK 33 474 (39 869) thousand. For criteria for recognition, see note 2.13 and note 11.

Impairment of goodwill

Recognised goodwill is assessed annually for impairment. Recoverable amounts from cash-generating units are calculated based on their value in use. There is uncertainty associated with the assumptions used as a basis in the preparation of budgets for the calculation of value in use. These calculations require the use of estimates and assumptions about future income and expense trends.

In 2013 there was impairment of goodwill related to the unit Hexagon Raufoss of NOK 7 705 thousand. See also note 11.

Fair value of assets and liabilities at the time of acquisition

The Group must allocate the cost of a business combination by recognising the assets acquired and liabilities assumed based on their estimated fair values. The fair value measurement requires management to make significant judgements in the choice of method, estimates and assumptions. Significant acquired intangible assets which the Group recognises include the customer base and deferred tax assets. Assumptions used for the valuation of intangible assets include, but are not limited to, the estimated useful life of the customer relationship based on customer attrition.

Significant acquired assets that the Group recognises include land and buildings and machines and equipment. Methods for the valuation of property, plant & equipment include, but are not limited to, the replacement cost of the assets. Management's fair value estimates are based on reasonable, but not entirely certain, assumptions. See also note 5.

Deferred tax asset

The group's deferred tax assets are reviewed regularly and recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. See also note 7.

Product warranty provisions

Management estimates the warranty provision using information on historical warranty costs and other relevant information relevant to future warranty claims. Factors that can influence estimated liabilities include the results of productivity and quality initiatives, as well as prices of parts and labour costs. See also note 19.

NOTE 4 SEGMENT INFORMATION

The Group's operations are divided into strategic business areas, which are organised and managed separately. The different business areas sell different products, address different customer groups and have different risk profiles.

THE HEXAGON COMPOSITES GROUP IS DIVIDED INTO THE FOLLOWING BUSINESS SEGMENTS

a) Low-Pressure Cylinders - Hexagon Ragasco
b) High-Pressure Cylinders– Hexagon Lincoln / Hexagon Raufoss / Hexagon Technology

Hexagon Ragasco manufactures low-pressure cylinders, i.e. cylinders for propane gas.

Hexagon Lincoln / Hexagon Raufoss develop and supply complete storage and transport systems for natural gas and hydrogen to the bus and automotive industry and for bulk transport of compressed gas.

Transactions between the segments are based on arm's-length prices.

BUSINESS SEGMENT DATA

	HIGH-PRESSURE CYLINDERS		LOW-PRESSURE CYLINDERS	
(NOK 1 000)	**2014**	**2013**	**2014**	**2013**
OPERATING INCOME FROM EXTERNAL CUSTOMERS:				
Sale of goods	1 097 625	939 395	551 082	330 084
Royalties				
Total operating income from external customers	**1 097 625**	**939 395**	**551 082**	**330 084**
Internal transactions	712	8 859	8 009	8 863
Total operating income	**1 098 337**	**948 254**	**559 092**	**338 947**
Operating profit for segment before depreciation/amortisation (EBITDA)	**216 295**	**148 937**	**138 537**	**73 091**
Operating profit for segment (EBIT)	**183 940**	**115 578**	**99 133**	**44 674**
Profit/loss from associates and joint ventures			-9 554	-4 224
Net financial items				
Tax expense				
Profit/loss from discontinued operations (note 5)				
Profit/loss for the year				
Segment assets	**886 975**	**588 464**	**436 156**	**335 181**
Segment liabilities	**508 060**	**350 260**	**345 044**	**251 543**
Investments in assets for the year	80 041	60 840	24 709	14 966
Depreciation/amortisation/impairment	32 355	33 359	39 403	28 417

GEOGRAPHICAL SEGMENT DATA

	EUROPE		NORTH AMERICA	
(NOK 1 000)	**2014**	**2013**	**2014**	**2013**
Income divided among customer locations from external customers	449 006	441 079	875 932	720 639
Segment assets	476 914	632 718	702 701	504 628
Investments in assets for the year	28 008	28 384	77 334	71 410

Other information

In 2014 the High-Pressure Cylinders business segment had one customer group with sales that constituted more than 10% of the Group's annual sales. Sales to the customer totalled NOK 196 288 thousand in 2014 and NOK 140 459 thousand in 2013. The Group's customer base is relatively fragmented in terms of size and concentration such that it is not dependent upon any one single customer.

GEOGRAPHICAL SEGMENTS

The Group's activities are divided into the following regions: Europe, North America, South-East Asia, Middle East and South America.

Transactions in the different segments have been eliminated.

	UNALLOCATED		ELIMINATION		CONSOLIDATED	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	2 122	1 750	0	0	1 650 829	1 271 229
	0	393			0	393
	2 122	**2 143**			**1 650 829**	**1 271 621**
	10 733	10 733	-19 454	-28 455	0	0
	12 855	**12 876**	**-19 454**	**-28 455**	**1 650 829**	**1 271 621**
	-25 681	**-17 666**			**329 151**	**204 362**
	-26 285	**-18 187**			**256 788**	**142 064**
					-9 554	-4 224
					9 815	9 396
					77 072	41 742
					4 325	2 941
					164 672	**89 643**
	18 692	**273 034**	**-162 209**	**-59 333**	**1 179 615**	**1 137 346**
	168 903	**212 441**	**-329 501**	**-25 462**	**692 506**	**788 782**
	591	23 987			105 341	99 794
	604	521			72 363	62 298

	SOUTH-EAST ASIA		MIDDLE EAST		SOUTH AMERICA		OTHER		CONSOLIDATED	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	22 680	61 889	236 086	18 514	29 361	22 706	37 765	6 794	1 650 829	1 271 622
									1 179 615	1 137 346
									105 341	99 794

NOTE 5 NOTE 5 CHANGES IN THE GROUP'S STRUCTURE / DISCONTINUED OPERATIONS

PURCHASE OF MASTERWORKS IN 2014

With effect from 10 October 2014 Hexagon Lincoln acquired the main assets of MasterWorks Machining, Inc and Helman Tensioners, Inc.. MasterWorks and Helman Tensioners specialize in providing innovative design and manufacturing solutions for the composites industry. This acqusition enhances Hexagon Composites' technology leadership and manufacturing robustness, which will strengthen the Group's position as the global leader in the industry, and will provide additional capabilities for further expansions.

The business operates under the formed entity, MasterWorks, Inc, as a wholly owned subsidiary of Hexagon Lincoln, and will continue its offering of services and products to the composites industry.

The net assets acquired in the acquisition are as follows:

MASTERWORKS

(NOK 1 000)	FAIR VALUE RECOGNISED ON ACQUISITION
ASSETS	
Property, plant and equipment	8 194
Inventories	1 498
Trade accounts receivable	1 416
Total assets	**11 108**
LIABILITIES	
Defered consideration	1 307
Provisions	441
Deferred tax liabilities	0
Total equity and liabilities	**1 748**
Net identifiable assets and liabilities at fair value	**9 360**
Goodwill	0
Purchase consideration transferred / Paid in cash	**9 360**

The deferred consideration will be paid to the sellers within 31 October 2015 based on certain criteria. The Group expect that these criteria will be met and thus has recongnised the deferred consideration.

MasterWorks Inc. has from the date of acqusition contributed to the Group's revenues and profit before tax by NOK 4.2 million and -0.2 million respectively.

If the acquisition had occurred at the beginning of 2014, revenues for 2014 and profit before taxes for 2014 for the Group would have been NOK 1 669 million and NOK 236 million respectively.

In the Group's profit for 2014, MasterWorks, Inc is included from the acquisition date.

CHANGES ACCORDING TO IFRS 11 JOINT ARRANGEMENTS RUGASCO LLC

The application of IFRS 11 impacted the Hexagon Composites Group's accounting of its interest in the joint venture, Rugasco LLC (see note 26). The Group has a 50% interest in Rugasco LLC which was included in the Low-Pressure Cylinders segment in 2013. Prior to the transition to IFRS 11, Rugasco LLC was classified as a jointly controlled entity and the Group's share of the assets, revenue, income and expenses was proportionately consolidated in the financial statements. Upon adoption of IFRS 11, the Group has determined its interest in Rugasco LLC to be classified as a joint venture under IFRS 11. According to IFRS 11 comparative information for the immediately preceding period 2013 is restated. The effect of applying IFRS 11 on the Group's financial statements is as follows:

IMPACT ON STATEMENT OF PROFIT OR LOSS (INCREASE/-DECREASE) IN PROFIT

(NOK 1 000)	**2013**
Operating income	-8 485
Cost of materials	-5 868
Payroll and social security expenses	-949
Other operating expenses	-4 111
Operating profit before depreciation (EBITDA)	**2 444**
Depreciation	-33
Operating profit (EBIT)	**2 477**
Net financial items	341
Profit/loss from associates	-2 977
Profit before tax	**-159**
Tax expense	-159
Net impact on profit/loss for the year	**0**

The transition did not have any impact on either the other comprehensive income for the period or the Group's basic or diluted earnings per share.

IMPACT ON BALANCE SHEET AND NET EQUITY (INCREASE/-DECREASE)

(NOK 1 000)	**2013**
Tangible fixed assets	-169
Investment in associates	26
Total non-current assets	**-143**
Inventories	-5 899
Trade receivables	-998
Other current assets	-2 371
Bank deposits, cash and equivalents	-173
Total current assets	**-9 442**
Total assets	**-9 585**
Non-currents interest-bearing liabilities	-2 011
Deferred tax-liabilities	-250
Total non-current liabilities	**-2 261**
Short term loans	-27
Trade payables and other current liabilities	-7 297
Total current liabilities	**-7 325**
Total liabilities	**-9 585**
Net impact on equity	**0**

IMPACT ON CASH FLOW STATEMENTS (INCREASE/-DECREASE) IN CASH FLOWS

(NOK 1 000)	**2013**
Operating	226
Investing	202
Financing	-1 520
Net increase/-decrease in cash and cash equivalents	**-1 092**

DISCONTINUED OPERATIONS

On 16 January 2014 an agreement was entered into to sell the shares in the subsidiary Hexagon Devold AS to the German company Saertex GmbH & Co. KG. The transaction was completed on 30 January 2014. At the end of 2013 it was considered probable that the transaction would occur and the business area was therefore treated as "held for sale" in the accounts as of 31.12.2013. Hexagon Devold with its accompanying subsidiaries have constituted the Composite Reinforcements business area and this business segment was therefore removed from the Group in 2013 as a result of the sale.

Specification of the profit/loss in 2013 and until the sale of Hexagon Devold is presented below:

(NOK 1 000)	**30.01.2014**	**2013**
Operating income	**25 060**	**183 132**
Cost of materials	17 552	127 278
Payroll & social security expenses	2 001	19 612
Depreciation/amortisation	1 093	11 306
Other operating expenses	2 502	18 689
Total operating expenses	**23 148**	**176 885**
Operating profit	**1 912**	**6 247**
Net financial items	-1 429	-2 595
Profit before tax	**483**	**3 653**
Tax expense	47	712
Annual profit/loss for discontinued operations	**436**	**2 941**
Recognised gain sale of Hexagon Devold	3 889	
Total profit discontinued operations	**4 325**	
Earnings per share for discontinued operations (NOK)	0.03	0.02
Diluted EPS for discontinued operations (NOK)	0.03	0.02
SPECIFICATION OF TAX EXPENSE ON PROFIT ON ORDINARY ACTIVITIES		
Income tax payable	47	515
Change in deferred tax	0	197
Total tax expenses	**47**	**712**
SPECIFICATION OF TAX EXPENSE IN COMPREHENSIVE INCOME		
Tax on actuarial gains/losses for pensions for the period	0	53

The key figures in the balance sheet as of 31.12.2013 from Hexagon Devold classified as held for sale were as follows:

(NOK 1 000)	**31.12.2013**
ASSETS	
Property, plant & equipment	112 133
Net pension assets	305
Deferred tax assets	1 270
Inventories	27 747
Trade receivables	45 985
Other current assets	667
Bank deposits, cash and similar	5 859
Total assets held for sale	**193 967**
LIABILITIES	
Non-current interest-bearing liabilities	23 581
Retirement benefit obligation	63
Deferred tax liabilities	1 991
Provisions	17 085
Interest-bearing current liabilities	6 146
Trade payables and other current liabilities	31 410
Total liabilities directly associated with assets held for sale	**80 275**
Net assets discontinued operations	**113 691**

The translation difference for discontinued operations totalled NOK 1 026 thousand as of 31.12.2013 (-2 231 as of 31.12.2012). The change of NOK 3 257 thousand was entered in other comprehensive income in 2013.

Immediately prior to the the classification of Hexagon Devold as held for sale, the repurchase values of buildings, machines and fixtures/fittings were estimated, however no impairment indicators were identified. No impairment requirement was identified for the remaining parts of the assets in the disposal group because the carrying amount was lower than fair value upon sale.

Net cash flow from the business area of Composite reinforcements was as follows:

(NOK 1 000)	**2013**
Cash flow from operating activities	3 527
Cash flow from investing activities	-23 307
Cash flow from financing activities	15 270
Net cash flow	**-4 510**

Cash & cash equivalents for the Company in the business area were NOK 1 923 thousand in 2013.

NOTE 6 NET FINANCIAL ITEMS

(NOK 1 000)	2014	2013
Interest income	3 227	3 450
Other foreign exchange items	40 954	42 344
Total finance income	**44 181**	**45 794**
Other loss on exchange items	9 844	18 898
Unrealised loss on forward exchange contracts and interest rate swaps with actual gains or losses through profit and loss	12 837	10 745
Cost of interest on loans etc.	26 183	24 797
Other finance expense	5 131	750
Total finance expense	**53 996**	**55 190**
Net financial items	**-9 815**	**-9 396**

NOTE 7 TAX

TAX EXPENSE

(NOK 1 000)	NOTE	2014	2013
Income tax payable in the income statement		67 359	44 304
Change in deferred tax in income statement		9 713	-2 562
Tax expense		**77 072**	**41 742**
Income tax payable in the balance sheet for continuing operations.		29 551	8 993 [1)]
Prepaid tax overseas	15	-6 257	-927
Settled tax overseas		44 066	36 238
Total income tax payable in the income statement		**67 359**	**44 304**
Nominal tax rates in Norway		**27%**	**28%**
Profit before tax		237 419	128 443
Tax based on nominal tax rate in Norway		64 103	35 964
Other differences relating to foreign subsidiaries		11 602	4 934
Share of profit/loss from associates		2 580	189
Other non-taxable income and non-deductible expenses		-1 213	-27
Effect of change in tax rate in Norway		0	682
Tax expense		**77 072**	**41 742**
Effective tax rate in the Group		**32.46 %**	**32.50 %**
Tax expense in income statement		77 072	41 742
Tax expense		**77 072**	**41 742**

1) Income tax payable in the balance sheet for 2013 was reduced by deductions for the Skattefunn tax incentive scheme with NOK 990 thousand.

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	BALANCE SHEET		CHANGE IN DEFERRED TAX IN INCOME STATEMENT	
(NOK 1 000)	**2014**	**2013**	**2014**	**2013**
DEFERRED TAX ASSET				
Pension	-842	-444	227	67
Loss carryforwards	-1 287	-1 278	-9	1 268
Inventories and trade receivables	-5 405	-5 250	-155	23
Derivatives	-6 848	-3 279	-3 466	-2 132
Provisions for liabilities/other current liabilities	-1 377	-1 060	-318	2 167
Other	-7 126	-5 274	-1 850	-3 776
Deferred tax asset – gross	**-22 885**	**-16 586**	**-5 571**	**-2 382**
DEFERRED TAX LIABILITIES				
Property, plant & equipment	17 241	10 302	6 939	-362
Derivatives	0	0	0	-797
Provisions for liabilities/other current liabilities	8 345	0	8 345	0
Deferred tax liabilities – gross	**25 586**	**10 302**	**15 284**	**-1 158**
Net recognised deferred tax liabilities/assets (-)	**2 701**	**-6 284**	**9 713**	**-3 541**
CARRYING AMOUNTS				
Deferred tax asset	-23 163	-20 302		
Deferred tax liabilities	25 863	14 018		
Net recognised deferred tax assets/deferred tax liabilities	**2 701**	**-6 284**		

The Group has a total loss carried forward of NOK 4.6 million (4.7 million) as of 31 December 2014, of which NOK 4.6 million (4.7 million) is related to overseas activities.

Deferred tax assets are recognised when it is probable that the Group will have taxable profit available against which the tax assets can be utilised.

DEFERRED TAX RECOGNISED IN THE STATEMENT OF OTHER REVENUES AND EXPENSES IN THE TOTAL COMPREHENSIVE INCOME ARE AS FOLLOWS

(NOK 1 000)	**2014**	**2013**
Actuarial gains/losses, pensions	-625	974
Derivatives	-103	66
Total	**-728**	**1 040**

NOTE 8 EARNINGS PER SHARE

Earnings per share is calculated by dividing profit for the year by the weighted average number of shares outstanding.

To calculate diluted earnings per share, the profit and weighted average number of shares outstanding is adjusted to accommodate all dilution effects associated with share options. All share options are taken into consideration in the "denominator", and adjustments are made for recognised option expenses in the numerator. In the calculations, share options are considered to have been converted at the grant date. Redeemed options are included from the date of issue.

(NOK 1 000)	NOTE	2014	2013
PROFIT/LOSS FOR THE YEAR FLOWING TO HOLDERS OF ORDINARY SHARES			
Profit/loss for the year from continuing operations		160 347	86 702
Profit/loss for activities held for sale		4 325	2 941
Profit/loss for the year		**164 672**	**89 643**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING 31.12	17		
Ordinary shares issued 01.01		133 294 868	133 294 868
Own shares		-1 166 075	-20 727
Outstanding number of shares 31.12		**132 128 793**	**133 274 141**
Weighted average number of shares outstanding 31.12		**132 701 467**	**133 274 141**
Profit/loss per share for continuing operations		1.21	0.65
Profit/loss per share		1.24	0.67
DILUTED NUMBER OF SHARES OUTSTANDING 31.12	17		
Ordinary shares issued 01.01		133 294 868	133 294 868
Own shares		-1 166 075	-20 727
Outstanding shares 31.12 adjusted for dilution effects		**132 128 793**	**133 274 141**
Weighted average number of shares outstanding 31.12 adjusted for dilution effects		**132 701 467**	**133 274 141**
Diluted profit/loss per share for continuing operations		1.21	0.65
Diluted profit/loss per share		1.24	0.67

NOTE 9 PAYROLL COSTS AND NUMBER OF EMPLOYEES

(NOK 1 000)	NOTE	2014	2013
Salaries/fees [1]		262 439	192 517
Bonus/profit-sharing		15 284	12 993
Pension expense, defined-benefit plans	18	619	963
Pension expense, defined-contribution plans	18	14 266	10 478
Other social security costs		28 798	19 054
Payroll costs for continuing operations		**321 407**	**236 005**
Number of full-time equivalents		**432**	**372**
GROUP MANAGEMENT		10	3
LOW-PRESSURE CYLINDERS			
Norway		106	76
Sweden		3	4
HIGH-PRESSURE CYLINDERS			
Norway		52	49
USA		261	240
Total of		**432**	**372**

1) Capitalised payroll costs amounted to NOK 1.8 million in 2014 and 0 in 2013.

NOTE 10 PROPERTY, PLANT & EQUIPMENT

(NOK 1 000)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FIXTURES & FITTINGS, VEHICLES	ASSETS UNDER CONSTR-UCTION	2014 TOTAL
COST OF ACQUISITION					
Cost of acquisition 01.01.2014	40 585	483 907	19 818	40 120	584 430
Additions	2 648	39 698	8 679	54 317	105 341
Transfer from assets under construction	0	44 526	0	-44 526	0
Disposals/scrap	0	-926	0	0	-926
Translation differences	1 937	29 749	1 101	6 875	39 663
Cost of acquisition 31.12.2014	**45 170**	**596 954**	**29 598**	**56 785**	**728 508**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Accumulated depreciation 01.01.2014	16 656	323 033	15 772	0	355 462
Depreciation for the year	2 990	59 405	1 589	0	63 984
Disposals/scrap	0	291	0	0	291
Translation differences	593	13 085	631	0	14 310
Accumulated depreciation and impairment 31.12.2014	**20 239**	**395 815**	**17 992**	**0**	**434 046**
Net carrying amount as of 31.12.2014	**24 932**	**201 139**	**11 606**	**56 785**	**294 462**
Of which pledged					294 462
Amortisation rate	5-10%	7-33%	10-33%		
Useful life	10-20 years	3-15 years	3-10 years		
Depreciation method	Straight-line	Straight-line/unit production method	Straight-line		

(NOK 1 000)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FIXTURES & FITTINGS, VEHICLES	ASSETS UNDER CONSTR-UCTION	2013 TOTAL
COST OF ACQUISITION					
Cost of acquisition 01.01.2013	82 193	495 009	22 937	17 917	618 057
Additions	9 335	21 660	998	46 797	78 790
Transfer from assets under construction	0	25 209	387	-25 596	0
Disposals/scrap	0	-763	-22	0	-786
Additions from purchase of companies	0	17 018	0	0	17 018
Disposals in activities held for sale	-56 245	-91 170	-5 471	0	-152 885
Translation differences	5 302	16 944	989	1 002	24 237
Cost of acquisition 31.12.2013	**40 585**	**483 907**	**19 818**	**40 120**	**584 430**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Accumulated depreciation 01.01.2013	14 116	301 912	16 096	0	332 124
Depreciation for the year for continuing operations	2 715	41 895	1 544	0	46 155
Depreciation for the year for activities held for sale	2 221	8 229	830	0	11 280
Disposals/scrap	0	-763	-21	0	-784
Disposals in activities held for sale	-2 702	-34 954	-3 139	0	-40 795
Translation differences	307	6 719	462	0	7 489
Accumulated depreciation and impairment 31.12.2013	**16 656**	**323 039**	**15 772**	**0**	**355 468**
Net carrying amount as of 31.12.2013	**23 929**	**160 868**	**4 045**	**40 120**	**228 963**
Of which pledged					228 963

1) Assets under construction. Hexagon Lincoln Inc., Hexagon Ragasco AS and Hexagon Raufoss AS have assets under construction totalling NOK 56 785 thousand
(40 120 thousand).

2) Construction loan interest expenses
No construction loan interest expenses were recognised in 2013 or 2014.

3) Part of a production line at Hexagon Ragasco is depreciated in accordance with the unit method, i.e. in accordance with the number of cylinders produced.
The useful life is estimated on the basis of 8 000 000 cylinders, and since 2006 depreciation has been applied on the basis of the annual number of units produced.

4) The production line for the Titan cylinders at Hexagon Lincoln is depreciated in accordance with the unit of production method, i.e. in accordance with the number of cylinders produced.
The useful life is estimated on the basis of 5 000 Titan cylinders, and since 2009 depreciation has been applied on the basis of the annual number of units produced.

5) The calculated residual value on property, plant & equipment totalled NOK 6 000 thousand as of 31.12.2014 and NOK 6 000 thousand as of 31.12.2013.

6) Finance lease equipment.
Hexagon Devold, classified as discontinued operation as of 31.12.2013 had recognised amounts of NOK 22 110 thousand related to finance lease equipment.
See note 5 concerning changes in the Group's structure/discontinued operation and note 23 concerning leases.

NOTE 11 INTANGIBLE ASSETS

HEXAGON COMPOSITES ASA HAS THE FOLLOWING PURCHASED AND OWN-DEVELOPED INTANGIBLE ASSETS

(NOK 1 000)	GOODWILL	PATENTS AND LICENCES	TECHNOLOGY DEVELOPMENT 1)	CUSTOMER RELATION-SHIPS	2014 TOTAL
COST PRICE					
Opening balance 01.01.2014	62 926	11 041	68 859	18 483	161 308
Additions	0	0	1 849	0	1 849
Translation differences	3 037	0	296	0	3 332
Cost of acquisition 31.12.2014	**65 962**	**11 041**	**71 003**	**18 483**	**166 489**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Opening balance 01.01.2014	16 530	9 891	28 989	18 483	73 893
Depreciation for the year	0	134	8 245	0	8 379
Translation differences	0	0	295	0	295
Accumulated depreciation and impairment 31.12.2014	**16 530**	**10 025**	**37 529**	**18 483**	**82 566**
Net carrying amount 31.12.2014	**49 432**	**1 016**	**33 474**	**0**	**83 922**
Amortisation rate	None	6-17 %	5-20%	50%	
Useful life	Indefinite	6-17 years	5-20 years	2 years	
Depreciation method	None	Straight-line	Straight-line/unit production method	Straight-line	

1) Technology development of own resources.

(NOK 1 000)	GOODWILL	PATENTS AND LICENCES	TECHNOLOGY DEVELOPMENT 1)	CUSTOMER RELATION-SHIPS	2013 TOTAL
COST PRICE					
Opening balance 01.01.2013	61 762	11 161	64 981	18 483	156 387
Additions	0	20	3 764	0	3 784
Disposals in activities held for sale	0	-158	0	0	-158
Translation differences	1 164	17	113	0	1 294
Cost of acquisition 31.12.2013	**62 926**	**11 041**	**68 859**	**18 483**	**161 308**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Opening balance 01.01.2013	8 826	9 831	20 578	18 483	57 717
Depreciation for the year for continuing operations	0	140	8 298	0	8 438
Depreciation for the year for activities held for sale	0	26	0	0	26
Impairment	7 705	0	0	0	7 705
Disposals in activities held for sale	0	-120	0	0	-120
Translation differences	0	14	113	0	127
Accumulated depreciation and impairment 31.12.2013	**16 530**	**9 891**	**28 989**	**18 483**	**73 893**
Net carrying amount 31.12.2013	**46 396**	**1 150**	**39 869**	**0**	**87 415**

1) Technology development of own resources.

Additions for this year and the previous year primarily relate to technological developments in the High-Pressure Cylinders segment.

Research & development costs totalling NOK 12.1 (6.7) million were expensed in 2014. The Group has received government grants of NOK 5.8 million (1.0) which have reduced the recognised research and development costs with NOK 1.5 million. 4.3 million are presented as income.

The Group has recognised goodwill as a result of three acquisitions of business enterprises. Each goodwill item is linked to a cash generating unit (CGU). When the acquired business enterprise is maintained as an independent business enterprise it is, as a starting point, the CGU. Entities that have considerable synergies and for which the type of activity is the same, are considered to be a unified CGU. This applies when acquired business enterprises are integrated with an existing Hexagon Composites company or the acquired business enterprise is, in operative terms, closely linked together with existing Hexagon Composites businesses. In these instances, it is the linking enterprise that is the level of the CGU where goodwill is measured and followed up. In the Group, three CGU's have been identified which capitalised goodwill has been linked to.

IMPAIRMENT TESTING

Goodwill is not depreciated but is subject to impairment testing in the fourth quarter each year. If there are particular indications of possible impairment, the impairment test is carried out on a quarterly basis. The impairment test is carried out by the calculated recoverable amount being compared with invested capital for the unit in question. When the recoverable amount exceeds invested capital, capitalised goodwill is maintained. When the recoverable amount is lower than invested capital, capitalized goodwill is written down to its recoverable amount. Invested capital consists of the units' total assets less interest-free current liabilities and interest-free non-current liabilities. The recoverable amount is based on expected future cash flows for the relevant unit based on the management's approved budget and strategy figures for the next four years. These are estimated based on current sales and margins and the expected market development. For subsequent periods it is assumed that there will be an increase in the cash flows equivalent to expected general growth within the various business areas.

The expected future investment requirements for the units are reflected in the calculations. These are in accordance with the management's approved budget and strategy. For the period beyond the next three years, it is assumed that the re-investment requirement will be equivalent to expected depreciation. Changes in working capital have been assessed and adjusted in accordance with expected developments.

When there are indications that a company's assets (including goodwill) may be impaired, an impairment test is conducted using the company's weighted average capital cost (WACC) as an estimate for the discount rate (= return on assets ratio). Correspondingly, WACC is also used for annual impairment testing. The WACC rate which is used to discount future cash flows is based on 10-year risk-free interest rates in the market, the company's borrowing interest, beta factor, equity ratio and market risk premium, adjusted for the liquidity risk and size of the company.

Value in use is calculated by discounting future cash flows. Present value calculations are based on expected future cash flows for the different cash-generating units, which are all separate subsidiaries. Estimates of future cash flows are made on the basis of board-approved budgets and market plans for 2015, as well as forecasts up to and including 2019. Cash flow projections for subsequent years will be the same as the cash flow for 2019, as the units are not expected to have a finite useful life. The projections do not take into account price increases or other forms of growth in the cash flows.

The most important assumptions relate to estimates for operating income, operating margin and rates of return. A WACC of 13.4% before tax has been used for all companies.

THE GOODWILL ITEMS OF THE FOLLOWING CASH FLOW GENERATING UNITS ARE SUBJECT TO IMPAIRMENT TESTING

(NOK 1 000)	2014	2013
Hexagon Ragasco – Low-Pressure Cylinders	32 350	32 350
Hexagon Raufoss – High-Pressure Cylinders	0	0
Hexagon Lincoln – High-Pressure Cylinders	17 082	14 046
Total goodwill	**49 432**	**46 396**

The assumptions that were used as a basis for the calculations made at the end of 2014 were met by good margins. The exception where of the profit expectations for Hexagon Raufoss AS which was impaired to 0 in 2013.

GOODWILL HEXAGON RAUFOSS - HIGH-PRESSURE CYLINDERS

The European passenger car market was also generally weak during 2013 and this was due to, among other things, delays in new car models. The weaker result and cash flow than previously forecast resulted in impairment of goodwill of NOK 7 704 thousand in 2013.

ASSUMPTIONS FOR THE OTHER GOODWILL ITEMS

The recoverable amount is calculated based on the general assumptions referred to above. The calculations do not assume major changes in the level of activity or operating margins compared with the results achieved in 2014. In the prognosis period, an increase in the operating profit equal to the general growth in the economy is expected.

SENSITIVITY ANALYSES

In connection with the impairment testing of goodwill, the Group has carried out sensitivity analyses. These sensitivity analyses are carried out for each cash-generating unit. The present value of the cash flow in the calculations made is, among other things, sensitive to changes in the discount rate. The sensitivity analysis uses the economic assumptions referred to above as its starting point. Calculations have been made based on one of the estimated economic assumptions being changed and in which the other economic assumptions remain unchanged.

The sensitivity analyses for the CGU demonstrate that recoverable amounts of goodwill exceed the recognised value by a good margin, and a reasonable change in key assumption would not cause the carrying amount to exceed value in use.

NOTE 12 OTHER NON-CURRENT ASSETS

(NOK 1 000)	2014	2013
Loans to employees	1 364	423
Other non-current assets	3 233	3 106
Total other non-current assets	**4 597**	**3 529**

More information relating to loans to employees can be found in note 27.

NOTE 13 INVENTORIES

(NOK 1 000)	2014	2013
Raw materials and consumables	201 072	111 291
Work in progress	56 360	42 007
Finished goods	63 036	59 729
Total inventories	**320 468**	**213 026**
Recognised impairment consists of	**-1 925**	**-1 879**
Goods with identified impairment have carrying amount of	2 765	5 104
Carrying amount of holdings used as pledged assets	**91 868**	**94 777**

Inventories in the Norwegian operations have been pledged in their entirety.

NOTE 14 TRADE RECEIVABLES

(NOK 1 000)	2014	2013
Trade receivables	212 203	127 612
Provisions for loss	-5 626	-4 202
Trade receivables after provision for losses	**206 577**	**123 410**

Losses on trade receivables are classified as other operating expenses in the income statement. Provision for losses are made on the basis of the individual assessments of each claim. In the assessment, consideration is made to guaranteed and insured amounts (see note 24 concerning credit risk).

Carrying amount of trade receivables used as pledged assets	**105 029**	**51 840**

CHANGES IN THE PROVISION FOR LOSSES ARE AS FOLLOWS

(NOK 1 000)	2014	2013
Opening balance 1 January	4 202	5 516
Provision for losses for the year	1 827	61
Actual losses during the year	-548	-1 172
Change in provisions for activities held for sale	0	-440
Translation differences	145	237
Closing balance 31 December	**5 626**	**4 202**

Credit risk and currency risk regarding trade receivables are described in more detail in note 24.

AS OF 31 DECEMBER THE COMPANY HAD THE FOLLOWING AGEING OF TRADE RECEIVABLES

	TOTAL	NOT DUE	<30 DAYS	30-60 DAYS	60-90 DAYS	>90DAYS
2014	212 203	101 209	94 920	10 360	588	5 126
2013	127 612	77 524	41 090	1 150	2 283	5 564

NOTE 15 OTHER CURRENT ASSETS

(NOK 1 000)	2014	2013
Earned, not invoiced income	12	10
Prepaid expenses	12 489	6 728
VAT due	16 978	7 035
Prepaid tax overseas	6 257	927
Other [1)]	8 257	3 416
Total other current assets	**43 993**	**18 117**

1) Other in 2014 included receivables from the Skattefunn tax incentive scheme of NOK 689 thousand.

NOTE 16 BANK DEPOSITS, CASH AND CASH EQUIVALENTS

(NOK 1 000)	2014	2013
Cash at bank and in hand	202 179	248 303
Bank deposits, cash and cash equivalents	**202 179**	**248 303**
Bank overdrafts	0	0
Cash & cash equivalents in the cash flow analysis	202 179	248 303
Undrawn Group overdraft facility	90 783	120 783
Undrawn credit facility at DNB	300 000	150 000
Restricted funds included in cash & cash equivalents [1)]	6 359	4 898

1) Restricted tax withholdings

NOTE 17 SHARE CAPITAL AND SHARE PREMIUM

(NOK 1 000)	2014	2013
Ordinary shares of NOK 0.10 each	133 294 868	133 294 868
Total number of shares	**133 294 868**	**133 294 868**

The Company's share capital consists of one class of shares and is fully paid-up.

CHANGES IN SHARE CAPITAL AND SHARE PREMIUM

	NUMBER OF SHARES		SHARE CAPITAL (NOK 1 000)		SHARE PREMIUM (NOK 1 000)	
	2014	2013	2014	2013	2014	2013
ORDINARY SHARES						
Issued and paid 1 January	133 294 868	133 294 868	13 329	13 329	82 955	82 955
Issued and paid 31 December	**133 294 868**	**133 294 868**	**13 329**	**13 329**	**82 955**	**82 955**
OWN SHARES						
1 January	20 727	20 727	2	2		
Change during period	1 145 348	0	115	0		
31 December	**1 166 075**	**20 727**	**117**	**2**		

As of 31.12.2014 the Company had 1 166 075 own shares (20 727). The cost of acquisition of NOK 26 773 thousand is entered as a deduction in equity. The shares are held as "own shares", and the Company is entitled to sell them in the future.

20 LARGEST SHAREHOLDERS AS OF 31.12.2014

	NUMBER OF SHARES	SHAREHOLDING
Flakk Holding AS [1,2]	39 115 988	29.35%
MP Pensjon PK	12 267 614	9.20%
Bøckmann Holding AS	10 000 000	7.50%
Nødingen AS [1]	4 800 000	3.60%
DNB Markets, AKS	4 546 720	3.41%
Skandinaviska Enskilda Banken AB	4 436 967	3.33%
JP Morgan Chase Bank Special Treaty Lendi	3 731 449	2.80%
Verdipapirfondet DNB	1 810 325	1.36%
Thread - Pan Eur Sma c/o Citybank NA	1 804 197	1.35%
Thread - European SM c/o Citybank NA	1 775 721	1.33%
Verma Mutual Pension Company	1 559 147	1.17%
JP Morgan Chase Bank, SA Escrow Account	1 469 738	1.10%
JP Morgan Chase Bank, Handelsbanken Nordic	1 410 192	1.06%
Hexagon Composites ASA	1 166 075	0.87%
JP Morgan Chase Bank, NA (Nominee)	1 072 727	0.80%
Spilka International AS	1 007 852	0.76%
Verdipapirfondet Eik	1 006 518	0.76%
Flakk Invest AS [1]	1 000 000	0.75%
Lars Ivar Flydal	900 000	0.68%
Storebrand Norge JP Morgan Europe Ltd.	789 230	0.59%
Total 20 largest shareholders	**95 670 460**	**71.77%**
Remainder	37 624 408	28.23%
Total	**133 294 868**	**100.00%**

1) These shareholdings are controlled by the Chairman of the Board, Knut Flakk.
2) Flakk Holding AS has entered into a forward agreement for the buy-back of 6 000 000 shares from DNB Bank ASA on 20 May 2015.

OWNERSHIP STRUCTURE

The total number of shareholders as of 31.12.2014 was 2 755 of whom 197 were foreign shareholders. The number of shares held by foreign shareholders was 23 191 939 or 17.4%.

The Board has a mandate to increase share capital by up to NOK 1 332 948 by issuing up to 13 329 480 shares (par value) NOK 0.10). This authorisation is valid until the next ordinary general meeting.

The Board proposes to the general meeting that a dividend is paid of NOK 0.62 per outstanding share, NOK 81 920 thousand in total, for the 2014 financial year. A dividend of NOK 0.33 per share, NOK 43 987 thousand in total, was paid for the 2013 financial year.

Dividends are included as allocations to the owners in the period in which they are paid.

NOTE 18 PENSIONS AND OTHER NON-CURRENT EMPLOYEE BENEFITS

The Norwegian companies in the group are legally obliged to have occupational pension arrangements under the Norwegian Mandatory Occupational Pension Act. The Norwegian pension arrangements satisfy the requirements of this act.

MULTI-EMPLOYER PENSION PLAN IN NORWAY

159 (119)of the Norwegian employees participate in a AFP pension plan. The AFP plan is a lifelong supplement to the regular pension. Employees can take the new AFP scheme from the age of 62 or remain in employment and earn further benefits until the standard retirement age of 67. The AFP pension scheme is a defined benefit multi-employer pension plan, funded through premiums that are defined as a percentage of salary. The scheme's retirement benefit obligation and plan assets cannot be reliably measured and allocated at present. For accounting purposes, the scheme is treated as a defined contribution plan, with premium payments expensed as incurred, and no provisions made in the accounts. Premiums is 2,4% for saleries in the range 1.0 - 7.1 times the national insurance base rate (G), and is expected to increase in the comming years. Total contribution for the arrangement were NOK 1 442 thousand in 2014 and NOK 1 164 thousand in 2013. Expected premium for 2015 is NOK 1 485 thousand.

LIABILITIES FROM DEFINED BENEFIT PENSION PLAN IN NORWAY

In December 2008, the Group terminated the defined benefit pension plan in Norway for employees under 52 years of age on the date of transfer. The employees joined a defined contribution pension plan with effect from 1 January 2009. Employees over the age of 52 on the date of transfer continued to be members of the defined benefit plan. The terms are 60% and 66% of final salary and 30 years of service. The plans include disability benefits. Some companies also have spouse's benefits

The obligation for the defined benefit pension plans is calculated on a straight-line basis. Unrealised gains and losses resulting from changes in actuarial assumptions are recognised directly in other revenues and expenses in the statement of comprehensive income Net accumulated actuarial gains/losses after tax as of 31.12.2014 amounted to NOK -19 298 thousand, compared with NOK -17 609 thousand as of 31.12.2013.

As of 31.12.2014 the Norwegian defined benefit plans had 15 members.

PENSION EXPENSES FOR THE YEAR RELATING TO THE DEFINED BENEFIT PENSION PLANS ARE CALCULATED AS FOLLOWS

(NOK 1 000)	2014	2013
Current service cost	465	713
Interest cost on benefit obligation	596	396
Expected return on plan assets	-568	-299
Administrative costs	35	34
Employer's contribution	91	119
Total pension expenses	**619**	**963**

Total pension expenses for activities held for sale in 2013 was NOK 78 thousand. The amount is not included in the 2013 figures.

PENSION LIABILITIES AND PLAN ASSETS

(NOK 1 000)	2014	2013
Present value of funded obligations	17 819	15 188
Fair value of plan assets	-15 085	-13 747
Employer's contributions on net pension liabilities	385	203
Net liability recognised in balance sheet 31 December	**3 119**	**1 644**

Net pension liabilities for activities held for sale in 2013 was NOK -243 thousand. The amount is not included in the 2013 figures.

(NOK 1 000)	2014	2013
Net liability recognised in balance sheet 1 January	1 644	5 307
Recognised benefit expense	603	963
Benefits paid	-1 473	-1 337
Actuarial gains and losses arising from changes in financial assumtions	2 634	-4 062
Actuarial gains and losses arising from changes in demographic assumtions	-290	773
Net liability recognised in balance sheet 31 December	**3 119**	**1 644**
Retirement benefit obligation	**3 374**	**1 932**
Plan assets	**255**	**288**

CHANGE IN BENEFIT LIABILITY DURING YEAR

(NOK 1 000)	2014	2013
Benefit obligation 1 January	15 188	17 312
Current service cost	465	713
Interest expense	596	396
Actuarial gains/losses (-)	1 929	-2 763
Pension payments	-359	-469
Retirement benefit obligation 31 December	**17 819**	**15 188**

Expected premium payment next year is NOK 1 667 thousand.

The benefit liabilities for activities held for sale in 2013 was NOK 1 062 thousand. The amount is not included in the 2013 figures.

RETIREMENT BENEFIT OBLIGATIONS ARE DISTRIBUTED AMONG THE FOLLOWING SCHEMES

(NOK 1 000)	2014	2013
Funded schemes, Norway	17 819	15 074
AFP scheme, Norway	0	115
Retirement benefit obligation 31 December	**17 819**	**15 188**

CHANGE IN FAIR VALUE OF PLAN ASSETS DURING THE YEAR

(NOK 1 000)	2014	2013
Plan assets 1 January	13 747	12 661
Return on plan assets	568	299
Actuarial gains/losses (-)	-126	119
Administrative costs	-35	-34
Pension premiums	1 291	997
Unpaid pensions	-359	-294
Change due to termination of employees (see note 9)	0	0
Plan assets 31 December	**15 085**	**13 747**

The plan assets for activities held for sale in 2013 was NOK 1 275 thousand. The amount is not included in the 2013 figures.

All the assets relate to funded schemes in Norway. Next year's payment for pension premiums is estimated at NOK 1 667 thousand.

AVERAGE DISTRIBUTION OF PLAN ASSETS BY INVESTMENT CATEGORY AS OF 31 DECEMBER

	2014		2013	
(NOK 1 000)	ALLOCATION	AMOUNT	ALLOCATION	AMOUNT
Shares	7%	1 012	6%	830
Bonds/certificates	72%	10 845	75%	10 314
Property	14%	2 142	14%	1 966
Other	7%	1 086	5%	637
Total	**100%**	**15 085**	**100%**	**13 747**

The actual return on plan assets in 2014 was NOK 442 thousand (418 thousand), allowing for previous years' actuarial gains/losses.

CALCULATION OF PENSION EXPENSES AND NET PENSION LIABILITIES IS BASED ON THE FOLLOWING ASSUMPTIONS

(NOK 1 000)	2014	2013
Discount rate	2.30%	4.00%
Return on plan assets	2.30%	4.00%
Salary increases	2.75%	3.75%
Pension increases	0.00%	0.60%
Adjustment of national insurance base rate	2.50%	3.50%
Mortality table	K2013 BE	K2013 BE

Actuarial assumptions for demographic factors and resignation are based on standard assumptions used within the insurance sector. Previously, the selected discount rate was based on 10-year Government bond interest. In 2013 the Group changed this to the discount rate being based on interest on corporate bonds with a high credit rating. The transition has not entailed any significant accounting effects in 2013. Changes in other assumptions of +/-1% will not have a significant accounting effect for the Group.

OBLIGATIONS FROM DEFINED CONTRIBUTION PENSION PLANS IN NORWAY AND OVERSEAS

The defined contribution pension plan in the Norwegian companies has contribution rates from 5% for salaries in the range of up to 7,1 times the national insurance base rate (G) and from 8% for salaries in the range 6 to 12 G. As of 31.12.2014 the Norwegian defined contribution pension plans had 159 members.

Expensed contributions in the defined contribution based Norwegian plans totalled NOK 5 844 thousand in 2014 and NOK 4 190 thousand in 2013.

Hexagon Lincoln Inc and MasterWorks Inc. in USA, has a defined contribution plan which is operated in accordance with local laws. The defined contribution plan covers full-time employees and represents 4% to 5% of pay for employees paid hourly and 4% to 6% for those paid monthly. An additional payment is also made at the end of the year in accordance with the terms of the defined contribution plan. As of 31.12.2014, 289 members were covered by the plan.

Expensed contributions totalled in Hexagon Lincoln Inc. NOK 7 979 thousand in 2014 and NOK 5 840 thousand in 2013.

Expensed contributions totalled in MasterWorks Inc. NOK 28 thousand in 2014.

Composite Scandinavia AB in Sweden has a defined contribution plan which is operated according to local laws. Average contributions are 9% of the salaries of those of are members of the plan. As of 31.12.2014, 3 members were covered by the plan.

Expensed contributions totalled NOK 415 thousand in 2014 and NOK 447 thousand in 2013.

NOTE 19 PROVISIONS

GUARANTEES

(NOK 1 000)	2014	2013
Balance 1 January	21 943	6 590
Provisions for year	18 182	21 800
Translation differences	2 973	286
Provisions used during year	-15 898	-6 733
Balance 31 December	**27 200**	**21 943**

Provisions are made for general levels of warranty claims on low-pressure and high-pressure cylinders. Provisions are based on historical warranty costs for equivalent products and services.

NOTE 20 NON-CURRENT INTEREST-BEARING LIABILITIES

				CARRYING AMOUNT	
(NOK 1 000)	INTEREST RATE CONDITIONS	CURRENCY	MATURITY	2014	2013
UNSECURED					
Bond issue	Nibor 3 month + 5.0%	NOK	02.07.2018	297 243	296 571
Total unsecured non-current liabilities				**297 243**	**296 571**
SECURED					
Bank loan (bullet)	Nibor 3 month + margin	NOK	23.12.2015	0	149 895
Total secured non-current liabilities				**0**	**149 895**
Total non-current liabilities				297 243	446 466
Total non-current liabilities, not including 1st year's instalments for continuing operations				**297 243**	**446 466**

ESTIMATED REPAYMENT STRUCTURE FOR NON-CURRENT LIABILITIES FOR CONTINUING OPERATIONS (NOK 1 000) AS OF 31.12.2014

2015	2016	2017	2018	2019	THEREAFTER
0	0	0	300 000		

A bond loan of NOK 300 million was issued on 27 June 2013 and drawn on 2 July 2013. The total bond loan is NOK 300 million and is due for payment in its entirety on 2 July 2018. The loan is listed on Oslo Stock Exchange with ISIN: NO 0010683717

Bank loans are secured against trade payables, inventories, and operating equipment in the Group's subsidiaries. The Parent Company also has unconditional guarantees from the Norwegian subsidiaries. As of 31.12.2014, the total carrying amount on assets pledged as collateral was NOK 491 thousand (continuing operations) and NOK 375 thousand 31.12.2013 (515 thousand including held for sale).

THE FOLLOWING CONDITIONS APPLY TO BANK LOANS
The equity/capital employed (total interest-bearing liabilities plus equity) ratio must be more than 30%.

Net interest-bearing liabilities can not be greater than 4 times the rolling earnings before interest, tax, depreciation/amortisation for the last 12 months (NIBD/EBITDA < 4,0).

THE FOLLOWING PRINCIPAL CONDITIONS APPLY TO THE UNSECURED BOND ISSUE
The equity/capital employed (total interest-bearing liabilities plus equity) ratio must be more than 30%.

The interest coverage ratio (rolling earnings before interest, tax, depreciation/amortisation for the last 12 months / rolling net interest expenses) must be greater than 2.0.

Maximum annual dividend shall not exceed 50% of the Group's profit for the year.

	31.12.2014	COVENANT
Interest coverage ratio	14.3	> 2.0
Equity to capital employed	62.1 %	> 30%
NIBD/EBITDA	0.3	< 4.0

The Group has not had any breach of covenants.

NOTE 21 SHORT-TERM INTEREST-BEARING LOANS

(NOK 1 000)	2014	2013
SECURED		
Current interest-bearing liabilities	0	0
1st year's instalments, non-current interest-bearing liabilities	0	0
Total	**0**	**0**

Current bank debt is subject to the same financial terms as non-current bank debt. See note 20. The overdraft facility in Norway is subject to NIBOR + margin. In addition to this is the limit provision. Bank overdrafts in Sweden have interest at STIBOR + margin.

As at 31.12.2014 and 31.12.2013 the Group has not drawn on these facilities.

NOTE 22 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

(NOK 1 000)	2014	2013
Trade payables	188 027	144 568
Amounts due to related parties	0	197
Forward exchange contracts	18 029	7 897
Public duties payable	10 164	7 595
Accrued expenses and other current liabilities	75 281	51 640
Current liabilties to closely-related parties	10 440	0
Total	**301 941**	**211 897**

NOTE 23 LEASES

THE GROUP AS LESSEE / FINANCIAL LEASES IN ACTIVITIES HELD FOR SALE
As of 31.12.2014 The Group has no financial leases. As of 31.12.2013 there was finacial leases related to Hexagon Devold AS classified as held for sale in 2013. These included:

Leasing agreements at Hexagon Devold Lithuania UAB for knitting machines and auxiliary equipment. The company is responsible for maintenance and insurance. Lease terms are 8 years. The remaining lease term is from 1 to 6 years. The leased equipment is pledged as collateral for the lease liabilities. The lease has a renewal option.

The lease at Hexagon Devold USA LLC is for two knitting machines. The company is responsible for maintenance and insurance. The lease term is 5 years for both machines. The remaining lease terms are 1 and 4 years respectively. The leased equipment is pledged as collateral for the lease liabilities.

ASSETS HELD UNDER FINANCIAL LEASES

(NOK 1 000)	**2013**
Plant and equipment	35 621
Accumulated depreciation	13 512
Net carrying amount	**22 110**
OVERVIEW OF FUTURE MINIMUM LEASE PAYMENTS	
Next year	4 030
1 to 5 years	8 639
Later than 5 years	543
Future minimum lease payments	**13 212**
PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	
Which includes:	
- current liabilities	3 868
- non-current liabilities	9 027

THE GROUP AS LESSEE - OPERATIONAL LEASES
The Group has entered into various operating leases for items of machinery, plant and other facilities. Most of these leases have a renewal option. Other have fixed terms. The majority of the leases are associated with the renting of premises. The leases have terms ranging from 3 to 20 years. The leases normally allow revision to accommodate factors such as changes in the CPI, increases in public duties and interest rates. None of the leases includes contingent rents. There is no legal right to acquire title to any leased asset.

LEASE RENTALS PAYABLE ARE AS FOLLOWS

(NOK 1 000)	**2014**	**2013**
Ordinary lease payments	17 562	14 152
Total	**17 562**	**14 152**
FUTURE MINIMUM LEASE PAYMENTS RELATING TO FIXED TERM LEASES FALL DUE AS FOLLOWS		
Not later than 1 year	19 599	
1 to 5 years	62 702	
Later than 5 years	26 692	
Total	**108 993**	

NOTE 24 FINANCIAL INSTRUMENTS

FINANCIAL RISK

The Group uses financial instruments such as bank loans and loans from other financial institutions. The purpose of the financial instruments is to raise capital for investments necessary for the group's operations. The group also has financial instruments such as trade receivables and payables which are directly linked to day-to-day operations. The Group can use some financial derivatives for hedging purposes.

Procedures for risk management are adopted by the board and carried out by the chief financial officer in close cooperation with the subsidiaries.

The most significant financial risks to which the group is exposed are interest rate risk, liquidity risk, currency risk and credit risk. The Group's management regularly evaluates these risks and defines guidelines on their management.

The Group uses financial instruments to hedge risks associated with interest rate and foreign currency fluctuations. The Group uses derivative financial instruments to minimise these risks under its strategy for interest and currency exposure. The accounting treatment of financial derivatives is described in note 2.

THE GROUP HAS THE FOLLOWING FINANCIAL ASSETS AND LIABILITIES DIVIDED INTO DIFFERENT CATEGORIES FOR ACCOUNTING TREATMENT AND RECONCILED AGAINST THE BALANCE SHEET ITEMS

31.12.2014 (NOK 1 000)	**FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS**	**INTEREST RATE SWAPS USED AS CASH FLOW HEDGING [1)]**	**LOANS AND RECEIVABLES/ FINANCIAL OBLIGATIONS AT AMORTISED COSTS**	**NON FINANCIAL ASSETS / LIABILITIES**	**TOTAL**
ASSETS					
Other non-current assets			4 597		4 597
Trade receivables			206 577		206 577
Other current assets				43 993	43 993
Bank deposits, cash and cash equivalents			202 179		202 179
Total financial assets	**0**	**0**	**413 353**	**43 993**	**457 346**
LIABILITIES					
Non-current interest-bearing liabilities			297 243		297 243
Derivatives	2 705	4 629			7 334
Short-term loans			0		0
Forward exchange contracts	18 029				18 029
Trade payables and other current liabilities			188 027	95 885	283 912
Total financial liabilities	**20 734**	**4 629**	**485 270**	**95 885**	**606 518**

1) Changes in value are recognised in other income and expenses in the statement of comprehensive income.

31.12.2013 (NOK 1 000)	**FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS**	**INTEREST RATE SWAPS USED AS CASH FLOW HEDGING 1)**	**LOANS AND RECEIVABLES/ FINANCIAL OBLIGATIONS AT AMORTISED COSTS**	**NON FINANCIAL ASSETS / LIABILITIES**	**TOTAL**
ASSETS					
Other non-current assets			3 529		3 529
Trade receivables			123 410		123 410
Forward exchange contracts	0				0
Other current assets				18 117	18 117
Bank deposits, cash and cash equivalents			248 303		248 303
Total financial assets	**0**	**0**	**375 241**	**18 117**	**393 358**
LIABILITIES					
Non-current interest-bearing liabilities			446 466		446 466
Derivatives		4 247			4 247
Short-term loans			0		0
Forward exchange contracts	7 897				7 897
Trade payables and other current liabilities			144 765	59 235	204 000
Total financial liabilities	**7 897**	**4 247**	**591 231**	**59 235**	**662 610**

1) Changes in value are recognised in other income and expenses in the statement of comprehensive income.

(I) CREDIT RISK

The Group is mainly exposed to credit risk associated with trade payables and other current receivables. The Group minimises its exposure to credit risk by ensuring that all parties requiring credit (customers, for example) are approved and undergo a credit check.

The Group has a small number of large customers or counterparties who could be considered to be a Group due to similarities in credit risk. The risk associated with these counterparties is regularly reviewed and is minimised by measures such as use of credit insurance. The Norwegian subsidiaries Hexagon Ragasco AS and Hexagon Raufoss AS have taken out credit insurance with GIEK or the equivalent which covers parts of the companies' receivables.

Trade receivables in foreign subsidiaries amounted to NOK 101 981 thousand (70 728 thousand). These do not have credit insurance, however are partly covered through Letter of Credits.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and that outstanding amounts do not exceed the defined credit limits. Credit information is also used in the group's regular appraisal of new and existing customers.

The Group has not issued guarantees for third party obligations.

The carrying amount of the financial assets,including derivatives, in the balance sheet represents the maximum risk exposure. As counterparties in derivative transactions are normally banks, the credit risk associated with derivatives is considered to be negligible. The Group considers its maximum risk exposure to be the carrying amount of its trade receivables (see note 14) and other current assets (see note 15).

(II) INTEREST RATE RISK

The Group is exposed to interest rate risk from its financing activities (see notes 20 and 21). Some of the Group's interest-bearing liabilities have variable interest rates, which means it is affected by changes in interest rates.

The aim of the Group's interest rate risk management is to reduce interest expenses, while also keeping the volatility of future interest payments within acceptable limits. The Group's strategy is for its finance departments to regularly evaluate the interest rate exposure of Hexagon Composites liabilities based on a total assessment of interest expectations and risk profile. The total fixed-interest term must be not be below 0 years and must not exceed 10 years. The Group use derivatives to adjust its effective interest rate exposure. As a starting point, all interest rate derivatives are adapted to the duration and other conditions of individual loans. At 31.12.2014 the Group had NOK 100 million in interest rate derivatives considered as effective hedging. This represents 33% of the group's non-current liabilities. Taking into account an interest rate derivative related to NOK 150 million of the loan which do not meet all criteria to be effective and thus is classified as ineffective hedging according to IAS 39, NOK 250 million or 83% of the Group's interest-bearing liabilities had fixed interest rates at 31.12.2014.

FORWARD RATE AGREEMENTS 31.12.2014

	CURRENCY	AMOUNT (NOK 1 000)	MATURITY	FIXED RATE	FAIR VALUE
Interest rate swap	NOK	NOK 150 000	23.12.2015	3.01% + margin	-2 705
Interest rate swap	NOK	NOK 100 000	02.07.2018	2.47% + margin	-4 629
Total					**-7 334**

FORWARD RATE AGREEMENTS 31.12.2013

	CURRENCY	AMOUNT (NOK 1 000)	MATURITY	FIXED RATE	FAIR VALUE
Interest rate swap	NOK	NOK 150 000	23.12.2015	3.01% + margin	-3 645
Interest rate swap	NOK	NOK 100 000	02.07.2018	2.47% + margin	-602
Total					**-4 247**

Fixed rate contracts are classified as hedging instruments, with the underlying hedged item being a long-term variable rate loan. The entire fair value of the interest rate swap is classified as a non-current asset or non-current liability (derivatives), as the underlying risk being hedged is the long-term financing.

The interest rate swap is the hedging of the cash flow and is recognised at fair value. Gains or losses from interest rate swaps are included in other income and expenses in total comprehensive income provided that all hedging criteria have been satisfied.

The following table shows the group's sensitivity to potential changes in interest rates. The calculations take into account all interest-bearing instruments and associated interest rate derivatives as of 31.12.

	CHANGE IN INTEREST RATES IN BASE POINTS	EFFECT ON PROFIT/LOSS AFTER TAX (NOK 1 000)	GAINS OR LOSSES ON INTEREST RATE DERIVATIVES IN COMPREHENSIVE INCOME AFTER TAX (NOK 1 000)
2014	+50	-182	1 907
	-50	182	-1 907
2013	+50	-737	2 774
	-50	737	-2 774

Based on the financial instruments which existed as of 31 December 2014, an interest rate increase of 1% would reduce profit after tax by NOK 365 thousand (1 475 thousand).

THE AVERAGE EFFECTIVE INTEREST RATE ON FINANCIAL INSTRUMENTS WAS AS FOLLOWS

	2014	2013
Bank overdrafts	3.1 %	3.2 %
Bank loan NOK	3.3 %	3.8 %
Bond issue	7.0 %	6.9 %
Finance leases	N/A	3.7 %
Bank loan EUR	N/A	2.8 %

(III) LIQUIDITY RISK

Liquidity risk is the risk of the group not being in a position to fulfil its financial obligations when they fall due. The group's strategy for managing liquidity risk is to set a level of available liquidity to enable it to discharge its financial obligations when they fall due, both under normal and unexpected circumstances, without risking unacceptable losses or damaging the group's reputation. Unused credit facilities are dealt with in note 16.

The majority of excess liquidity is invested in bank deposits

The following table provides an overview of the maturity structure of the group's financial obligations based on undiscounted contractual payments. In cases where the counterparty is entitled to ask for early settlement, the amount is included in the earliest period in which the payment may be demanded. If the counterparty is entitled to ask for on-demand settlement, the amount is included in the first column (under 1 month):

31.12.2014 REMAINING PERIOD

(NOK 1 000)	LESS THAN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
Bank overdrafts						0
Repayment of bond loan				300 000		300 000
Interest on bond loan		4 853	14 558	48 525		67 935
Derivatives			2 705	4 629		7 334
Forward exchange contracts		3 727	8 821	5 482		18 029
Trade payables	122 218	65 809				188 027
Total	**122 218**	**74 389**	**26 083**	**358 635**	**0**	**581 325**

31.12.2013 REMAINING PERIOD

(NOK 1 000)	LESS THAN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
Bank overdrafts			0			0
Repayment of bank and bond loan				450 000		450 000
Interest on bank and bond loan		6 290	18 871	75 411		100 572
Derivatives				4 247		4 247
Forward exchange contracts		1 357	4 654	1 886		7 897
Trade payables	92 349	52 416				144 765
Total	**92 349**	**60 063**	**23 525**	**531 544**	**0**	**707 481**

See note 20 for information on long-term loans, notes 21 and 22 for short-term liabilities and note 23 for finance lease obligations.

(IV) FOREIGN EXCHANGE RISK

As the Group has production and sales in different countries with different functional currencies, it is exposed to currency risk associated with movements of the Norwegian krone against other currencies, while the Group's presentation currency is NOK. The carrying amount of the Group's net investments in foreign companies fluctuates as the Norwegian krone moves in relation to other relevant currencies. The Group's profit after tax is also affected by currency movements, as the results of foreign companies are translated to the Norwegian currency using the weighted average exchange rate for the period. The Group uses forward contracts to reduce its currency risk from cash flows denominated in foreign currencies. Currency risk is calculated for each currency and takes into consideration assets and liabilities, off-balance sheet obligations and highly probable purchases and sales in the relevant currency.

The following table shows the group's sensitivity to potential changes in the Norwegian krone, with all other conditions remaining constant. The calculation is based on the same movement of the krone against the relevant currencies. The effect on the profit/loss is caused by changes in the value of monetary items and currency derivatives. The effect on equity is caused by currency effects of net investments in foreign currencies.

	MOVEMENT OF NOK AGAINST USD	EFFECT ON PROFIT/LOSS AFTER TAX	EFFECT ON OTHER INCOME AND EXPENSES AFTER TAX (NOK 1 000)
2014	+5 %	-7 645	-10 867
	-5 %	7 645	10 867
2013	+5 %	-2 116	-5 546
	-5 %	2 116	5 546

	MOVEMENT OF NOK AGAINST EUR	EFFECT ON PROFIT/LOSS AFTER TAX	EFFECT ON OTHER INCOME AND EXPENSES AFTER TAX (NOK 1 000)
2014	+5 %	6 187	0
	-5 %	-6 187	0
2013	+5 %	1 828	0
	-5 %	-1 828	0

The fair values of derivatives classified as hedging instruments are reported under other current assets/liabilities or other non-current assets/liabilities depending on the recovery or settlement date for the associated hedged item.

As of 31.12.2014, the group had the following forward contracts to hedge forecast sales to customers. Forward contracts are used to reduce currency risk associated with expected future sales. The terms of the contracts are as follows:

FORWARD EXCHANGE CONTRACTS

	CURRENCY SELL/BUY	AMOUNT (NOK 1 000)	MATURITY	EXCHANGE RATE	FAIR VALUE 31.12.2014
Forward contracts to hedge expected future sales 1)	EUR/NOK	21 000/177 080	2015	7.73 - 8.80	-12 548
Forward contracts to hedge expected future sales 1)	EUR/NOK	10 500/90 201	2016	8.37 - 8.89	-5 481
Total					**-18 029**

1) The forward contracts do not qualify for hedge accounting under IAS 39.

As of 31.12.2013, the Group had the following forward contracts to hedge future sales to customers.

	CURRENCY SELL/BUY	AMOUNT (NOK 1 000)	MATURITY	EXCHANGE RATE	FAIR VALUE 31.12.2013
Forward contracts to hedge expected future sales 1)	EUR/NOK	11 200/88 341	2014	7.59 - 8.19	-6 011
Forward contracts to hedge expected future sales 1)	EUR/NOK	6 500/53 630	2015	7.73 - 8.69	-1 886
Total					**-7 897**

1) The forward contracts do not qualify for hedge accounting under IAS 39.

(V) MEASUREMENT OF FAIR VALUE

The fair value of forward exchange contracts is calculated by comparing the agreed forward rate and the estimated equivalent forward rate prevailing on the balance sheet date with the same maturity multiplied by the fixed volume specified in the contract. The fair value of the interest rate/currency swaps is determined by comparing with observable market data (pricing of financial instruments in the finance markets). For all the above derivatives, the fair value is confirmed by the financial institution with which the Company has entered into the contract. The fair value of the issued bond loan (HEX02) is messured according to the market value on Oslo Stock Exchange.

The following financial instruments are not measured at fair value: Cash & cash equivalents, trade payables, other current receivables and bank overdrafts. These items are recognised at nominal value in the balance sheet as of 31 December, without taking into account the discount rate which relates to future inflows and outflows. Loans to employees and non-current interest bearing liabilities are recognised in accordance with amortised cost.

Nominal amounts are assumed to reflect the fair value of receivables and liabilities which have a duration of less than 1 year. The fair value of non-current liabilities is based on future interest rates and instalment payments.

ENTERING OF INCOME AND EXPENSES AGAINST TOTAL OTHER COMPREHENSIVE INCOME AND TRANSFERRED TO REVALUATION RESERVE

(NOK 1 000)	2014	2013
Fair value of cash flow hedges 1 January	-4 247	-4330
Change over total comprehensive income	-382	83
Fair value of cash flow hedges 31 December	**-4 629**	**-4 247**

FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

		2014		2013	
(NOK 1 000)	LEVEL	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
FINANCIAL ASSETS					
Other non-current assets		4 597	4 597	3 529	3 529
Trade receivables		206 577	206 577	123 410	123 410
Bank deposits, cash and cash equivalents		202 179	202 179	248 303	248 303
FINANCIAL LIABILITIES					
Bank loans		0	0	151 906	152 011
Bond issue		297 243	306 000	296 571	311 640
Interest rate swaps	2	7 334	7 334	4 247	4 247
Short-term loans		0	0	0	0
Forward exchange contracts	2	18 029	18 029	7 897	7 897
Trade payables and other current liabilities		188 027	188 027	149 393	149 393

FINANCIAL INSTRUMENTS APPRAISED AT FAIR VAUE WITH GAINS AND LOSSES IN THE INCOME STATEMENT

(NOK 1 000)	2014	2013
Level 1: Based on prices in an active market	0	0
Level 2: Observable market data	-20 734	-7 897
Level 3: Other than observable market data	0	0
Total financial instruments at fair value	**-20 734**	**-7 897**

FINANCIAL INSTRUMENTS APPRAISED AT FAIR VAUE WITH GAINS AND LOSSES OVER OTHER INCOME AND EXPENSES IN TOTAL COMPREHENSIVE INCOME

(NOK 1 000)	2014	2013
Level 1: Based on prices in an active market	0	0
Level 2: Observable market data	-4 629	-4 247
Level 3: Other than observable market data	0	0
Total financial instruments at fair value	**-4 629**	**-4 247**

OTHER INFORMATION RELATING TO FINANCIAL INSTRUMENTS

No financial assets were reclassified by changing the measurement method from amortised cost to fair value or vice versa.

(VI) CAPITAL STRUCTURE AND EQUITY

The main goal of the Group's capital structure management is to ensure it maintains a good credit rating (and therefore reasonable borrowing terms from lenders) and a level of equity which is reasonable in relation to the Group's operations.

By achieving a good debt/equity ratio, the Group will be able to support its operations and in doing so maximise the value of its shares. The Group's shareholders shall receive a competitive return on their shares, mainly through price increases in the Group's shares, but also in the form of dividends based on financial performance/investment needs.

The Group manages and makes necessary changes to its capital structure by regularly assessing prevailing economic conditions and prospects of short and medium-term growth.

Capital structure management is largely dealt with by means of new share issues. No changes to guidelines in this area were made in 2013 or 2014.

NOTE 25 INTEREST IN JOINT OPERATIONS

Hexagon Composites Group recognizes their assets, liabilities, revenues and expenses and their relative share of assets, liabilities, income and expenses.

HEXAGON COMPOSITES ASA HAS THE FOLLOWING INVESTMENTS IN JOINT OPERATIONS

JOINT VENTURE	COUNTRY	BUSINESS ACTIVITY	OWNERSHIP SHARE	VOTES
Agility Hexagon LLC	USA	High-Pressure Cylinders	50%	50%

In May 2014 Hexagon Lincoln Inc. entered into an agreement with Agility Fuel Systems to establish a 50/50 joint operations to supply CNG high-pressure cylinders for fuel systems to support the growing heavy duty natural gas market in North America. The agreement gives Hexagon Composites and Agility joint control over the business as decisions about the relevant activities requires unanimous concent of both parties. The parties receive substantially all of the economic benefits from the arrangement and it is therefore considered to be a joint operation.

NOTE 26 INVESTMENTS IN JOINT VENTURES

The Group has classified the investment in Rugasco LLC as a joint venture. The entity is organised as a limited liability company with its own management in charge of day-to-day business. However, the composition of the board and guidelines for operation of the company are based on a shareholder agreement. Under the shareholder agreement, It is required unanimity between the parties for making decissions abaout relevant activities. Accordingly, the venturers have joint control over the company's operations. Thus, the group as a participant is entitled to the arrangements net assets. The Group's responsibility as a participant in Rugasco LLC is limited to the capital contribution, and the return equals the Group's share of profit/loss. The investments in joint ventures are accounted for according to the equity method.

HEXAGON COMPOSITES ASA HAS THE FOLLOWING INVESTMENTS IN JOINT VENTURES

JOINT VENTURE	COUNTRY	BUSINESS ACTIVITY	OWNERSHIP SHARE	VOTES
Rugasco LLC	Russia	Low-Pressure Cylinders	49%	50%

Upon adoption of IFRS 11, the Group has determined that its interest in Rugasco LLC should be classified as a joint venture under IFRS 11. It is required by IFRS 11 to restate the comparative information for the immediately preceding period 2013. The effect of applying IFRS 11 on the Group's financial statements is specified in note 5.

RUGASCO LLC IS CONSIDERED TO BE A MATERIAL JOINT VENTURE
BELOW IS AN OVERVIEW OF HEXAGON COMPOSITES GROUP'S SHARE OF PROFIT/LOSS

(NOK 1 000)	
Book value as at 31.12.2013	26
Share of profit after tax 2014 (reported as share of loss from assosiates)	-9 554
Comitted contribution (other operating expenses)	-913
Book value as at 31.12.2014	**-10 440**

The Group does not have an obligation to pay additional equity in Rugasco LLC. However, the Group have commited for futher operations in the Joint Venture for 2015 and a liability is recognised in other current liabilities. Rugasco LLC does not have an observable market value in form of market price or similar.

THE TABLE BELOW SHOWS THE CONDENSED FINANCIAL INFORMATION OF RUGASCO LLC, BASED ON 100%

	RUGASCO, LLC	
(NOK 1 000)	**2014**	**2013**
Operating income	24 126	25 580
Operating expenses	40 830	30 533
Net financial items	2 202	682
Profit before tax	-18 907	-5 636
Tax	201	319
Profit/loss after tax from joint venture	**-19 108**	**-5 954**
Group's share of profit/loss	-9 554	-2 977
ASSETS		
Current assets	8 497	18 538
Cash and cash equivalentes	45	347
Non-current assets	289	339
LIABILITIES		
Current liabilities	20 567	14 594
Current financial liabilities	45	55
Long-term liabilities	0	500
Long-term financials liabilities	7 274	4 022
Equity	**-19 056**	**52**
Group's carrying amount of the equity	**-9 528**	**26**
Extra commited contribution as of 31.12.2014	**-912**	
Group's carrying amount of the investment	**-10 440**	

The Group has no excess values in relation to the investment in Rugasco LLC.

Rugasco LLC have the same reporting period as the Parent Company.

NOTE 27 TRANSACTIONS WITH RELATED PARTIES

The Group's related parties consist of main shareholders, members of the Board and management.

The Hexagon Composites Group has entered into several agreements with companies in Flakk Group. All the transactions were carried out as part of normal business and at arm's length prices. The term Flakk Group refers to companies controlled by Flakk Holding AS. The Chairman of the Board, Knut Flakk, has ownership interests and managerial roles in these companies.

THE MAIN AGREMENTS ARE AS FOLLOWS
The purchase of administrative services from Flakk International AS, NOK 1 598 thousand (4 960 thousand) in 2014.

In 2014 this agreement covers accounting services, secretarial and computer services, and premises.

In 2013 this agreement covered hire of chief financial officer, director of accounting & control, procurement manager, accounting services, secretarial and computer services, and premises. Of this, the hire of the chief financial officer amounted to approximately NOK 1 050 thousand.

THE BALANCE SHEET INCLUDES THE FOLLOWING AMOUNTS RESULTING FROM TRANSACTIONS WITH COMPANIES IN THE FLAKK GROUP

(NOK 1 000)	2014	2013
Trade payables	0	197

REMUNERATION OF THE BOARD AND MANAGEMENT

(NOK 1 000)	FEES TO BOARD MEMBERS	SALARIES	BONUSES PAID	BENEFITS IN KIND	PAID PENSION PREMIUM	TOTAL REMUN-ERATION 2014	TOTAL REMUN-ERATION 2013
EXECUTIVE MANAGEMENT							
Jon Erik Engeset, Group President [1)]		2 636	270	79	109	3 094	1 168
Tore J. Fjell, Senior Vice President [1)]		1 401	590	199	22	1 890	1 890
David Bandele, Chief Financial Officer		1 469	0	9	81	1 560	N/A
BOARD OF DIRECTORS							
Knut Flakk, Chairman	190					190	190
Kristine Landmark, Deputy Chair	100					100	100
Sverre Narvesen	120					120	120
Tom Vidar Rygh	0					0	N/A
May Britt Myhr	0					0	N/A
FORMER BOARD MEMBERS							
Kristin Krohn Devold	145					145	145
Jan Magne Galåen [2)]	120					120	120
Total remuneration	**675**	**5 507**	**860**	**288**	**212**	**7 541**	**3 733**

1) Jon Erik Engeset became Group President on 5 August 2013. Tore J. Fjell was acting Group President until this date.
2) Board remuneration to J. M. Galåen is paid to the employer, Rasmussengruppen AS.

David Bandele was employed as CFO at Hexagon Composites ASA in January 2014. In 2013 Tor Olsen Husø was hired in as CFO from Flakk International AS.

The Chairman of the Board has no agreement relating to termination benefits. In his employment agreement, the Group President has a period of notice of 6 months. He has an agreement for up to 12 months' severance pay. The management of the Group have a target-based bonus agreement. At the end of the year, the following bonuses were allocated: NOK 1 450 thousand to the Group President, NOK 300 thousand to the Senior Vice President and NOK 600 thousand to the CFO.

Group management participates in the Company's general pension arrangements, which are described in Note 18, Pensions.
The Group President and CFO participate in the Group's defined contribution plan and the Senior Vice President participate in the Group's defined benefit plan.

No loans have been made, or security provided for loans, to any member of Group management, the Board or other elected standing committees or any of their related parties.

SHARES OWNED BY BOARD MEMBERS OR RELATED PARTIES

	2014	2013
Knut Flakk, (Chairman) 1)	45 047 236	45 047 236
Kristine Landmark (Deputy Chair) 2)	10 000	0
Tom Vidar Rygh (Board Member) 3)	50 000	N/A
Gunnar S. Bøckmann (Deputy Board Member) 4)	10 339 400	10 269 400
Line K. Flakk 5)	681 802	681 802

1) Of the shares owned by Knut Flakk, 131 248 are privately owned, 39 115 988 are owned through Flakk Holding AS, 4 800 000 are owned through Nødingen AS and 1 000 000 are owned through Flakk Invest AS. Flakk Holding AS has also entered into a forward agreement with DNB Bank ASA for the buy-back of 6 000 000 shares as of 20 May 2015. See note 17.
2) The shares are owned by Kristine Landmarks husband, Bjørn Siem.
3) Shares owned by Tom Vidar Rygh is owned through Retiro AS.
4) Of the shares owned by Gunnar S. Bøckmann, 339 400 are privately owned and 10 000 000 are owned through Bøckmann Holding AS.
5) Line K. Flakk is married to Knut Flakk.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	2014	2013
Jon Erik Engeset, Group President 1)	420 867	409 000
Tore Fjell, Senior Vice President	775 131	771 044
David Bandele, Chief Financial Officer	29 545	N/A

1) Jon Erik Engeset became Group President on 5 August 2013. Of the shares owned by Jon Erik Engeset 1 867 are privately owned and 419 000 are owned by related limited liability companies.

Car loans have been given to two employees in subsidiaries. The remaining balance was NOK 1 364 thousand. The loans were given on market terms.

Pursuant to Section 6-16a of the Norwegian Public Limited Liabilities Companies Act, the board must prepare a declaration regarding the determination of pay and benefits to the managing director and other key management personnel. Reference is made to the separate management declaration.

EXPENSED AUDITOR FEES WERE DIVIDED AMONG THE FOLLOWING SERVICES (EXCL. VAT)

(NOK 1 000)	2014	2013
Statutory audit and auditing-related services	1 941	2 069
Other attestation services	22	4
Tax advice	346	203
Other non-auditing services	1 059	1 464
Total	**3 368**	**3 740**

The figures in 2013 include activities held for sale of NOK 312 thousand.

NOTE 28 PURCHASING COMMITMENTS

THE GROUP HAS THE FOLLOWING COMMITMENTS RESULTING FROM PURCHASING MATERIALS

(NOK 1 000)	2014	2013
2014	0	0
2015	209 507	0
2016	279 343	0
Thereafter	69 836	0
Total	**558 685**	**0**

THE GROUP HAS THE FOLLOWING COMMITMENTS RESULTING FROM CONTRACTS FOR INVESTMENTS IN PRODUCTION FACILITIES/MACHINES

(NOK 1 000)	2014	2013
2014	0	7 117
2015	17 798	0
Thereafter	0	0
Total	**17 798**	**7 117**

NOTE 29 EVENTS AFTER THE BALANCE SHEET DATE

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

NOTE 30 LIST OF SUBSIDIARIES AND ASSOCIATES

THE FOLLOWING COMPANIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY	HOME COUNTRY	REGISTERED OFFICE	NATURE OF BUSINESS	OWNERSHIP SHARE	VOTES
SUBSIDIARIES					
Hexagon Ragasco AS	Norway	Raufoss	Low-Pressure Cylinders	100%	100%
Composite Scandinavia AB	Sweden	Piteå	Low-Pressure Cylinders	100%	100%
Hexagon Raufoss AS	Norway	Raufoss	High-Pressure Cylinders	100%	100%
Hexagon Lincoln Inc.	USA	Lincoln, NE	High-Pressure Cylinders	100%	100%
MasterWorks, Inc.	USA	Nebraska	High-Pressure Cylinders	100%	100%
Hexagon Technology AS	Norway	Ålesund	High-Pressure Cylinders	100%	100%
JOINT VENTURES / JOINT OPERATIONS					
Agility Hexagon, LLC	USA	Delaware	High-Pressure Cylinders	50%	50%
Rugasco, LLC	Russia	Nizhny Novgorod	Low-Pressure Cylinders	49%	50%

30 January 2014 the segment Composites Reinforcements (100% subsidiary Hexagon Devold AS) was sold to Saertex Gmbh & Co KG. The business area has been treated as "held for sale" in the accounts as of 31.12.2013. See note 5.

NOTE 31 EXCHANGE RATES

	EXCHANGE RATE 1.1.2014	AVERAGE EXCHANGE RATE 2014	EXCHANGE RATE 31.12.2014
USD	6.0837	6.3730	7.4332
EUR	8.3825	8.3961	9.0365
GBP	10.0530	10.3690	11.5710
LTL	2.4278	2.4317	2.6172
RUB	18.5000	16.4059	12.8420
CHF	683.81	687.82	751.32
SEK	94.72	92.04	95.97

INCOME STATEMENT – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	2014	2013
Sales revenue	6	21 632	12 483
Total operating income		**21 632**	**12 483**
Payroll & social security expenses	9,11	25 544	12 483
Depreciation	2,3	2 381	966
Other operating expenses	11	21 769	17 666
Operating profit		**-28 062**	**-18 631**
Income from investment in subsidiaries	10	128 221	49 110
Finance income	4,12,13	77 695	46 961
Finance expense	4,5,12,13	78 875	37 267
Profit on ordinary activities before tax		**98 978**	**40 173**
Tax on profit on ordinary activities	10	26 872	9 487
Profit on ordinary activities		**72 106**	**30 686**
Profit/loss for the year		**72 106**	**30 686**
Allocated to dividends	1	81 920	43 987
Transferred equity	1	-9 813	-13 301
Total transferred		**72 106**	**30 686**

BALANCE SHEET – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	2014	2013
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Research & development	3	19 994	21 771
Deferred tax assets	10	0	474
Total intangible assets		**19 994**	**22 245**
PROPERTY, PLANT AND EQUIPMENT			
Land, buildings and other real estate	2	6 362	6 831
Fixtures/fittings, equipment and tools	2	751	295
Total property, plant & equipment		**7 113**	**7 126**
FINANCIAL ASSETS			
Investments in subsidiaries	4	120 966	137 855
Loans to group companies	5,6	364 485	381 706
Other non-current receivables	5	2 932	2 905
Investments in shares	4	4 150	4 050
Excess financing of pension liabilities	9	255	288
Total financial assets		**492 788**	**526 803**
Total non-current assets		**519 894**	**556 174**
CURRENT ASSETS			
RECEIVABLES			
Trade receivables	6	127	112
Other receivables	6	137 104	52 857
Total receivables		**137 230**	**52 969**
Bank deposits, cash and cash equivalents	7	654	61 840
Total current assets		**137 885**	**114 809**
Total assets		**657 778**	**670 983**

BALANCE SHEET – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	2014	2013
EQUITY AND LIABILITIES			
EQUITY			
PAID-IN CAPITAL			
Share capital	1,8	13 329	13 329
Own shares	1	-117	-106
Share premium	1	76 816	82 955
Other paid-in capital	1	0	2 326
Total paid-in capital		**90 028**	**98 505**
Other equity	1	0	28 164
Total other equity		**0**	**28 164**
Total equity		**90 028**	**126 669**
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Bond issue	5,12	297 243	296 571
Liabilities to credit institutions	5,13	0	149 895
Liabilities to group companies	6	30 743	26 536
Deferred tax liabilities	10	6 714	0
Total other non-current liabilities		**334 700**	**473 002**
CURRENT LIABILITIES			
Liabilities to credit institutions	5,13	101 773	0
Trade payables		3 891	941
Income tax payable	10	19 656	6 062
Public duties payable		1 142	472
Allocated dividends	1	81 920	43 987
Other current liabilities	6	24 669	19 849
Total current liabilities		**233 050**	**71 311**
Total liabilities		**567 750**	**544 313**
Total equity and liabilities		**657 778**	**670 983**

Ålesund, 18 March 2015
The Board of Directors of Hexagon Composites ASA

Knut Flakk Chairman	Kristine Landmark Deputy Chair	Sverre Narvesen Board Member
May Britt Myhr Board Member	Tom Vidar Rygh Board Member	Jon Erik Engeset Group President

CASH FLOW STATEMENT – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		98 978	40 173
Tax paid for the period		-6 062	0
Depreciation/amortisation		2 381	966
Gains and losses on shares/loss from sale		-13	-6 503
Recognised group contribution and dividend		-128 221	-49 110
Changes in trade payables		2 949	219
Changes in pension provisions		-70	64
Changes in other accrual accounting entries		5 741	19 209
Net cash flow from operating activities		**-24 315**	**5 017**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant & equipment and intangible assets		-591	-107
Sales of shares		16 901	0
Purchase of shares		-100	0
Other investments		-26	-1 863
Net payments on loans to/from subsidiaries		65 913	-17 480
Net cash flow from investing activities		**82 097**	**-19 449**
CASH FLOW FROM FINANCING ACTIVITIES			
New non-current liabilities		0	296 250
Repayment of non-current liabilities		-150 000	-150 000
Net change in bank overdraft		101 773	-50 215
Dividend payments		-43 967	-19 991
Purchase of own shares		-26 773	0
Net cash flow from financing activities		**-118 967**	**76 044**
Net change in cash & cash equivalents		-61 186	61 611
Cash & cash equivalents at beginning of period		61 840	229
Cash & cash equivalents at end of period	**7**	**654**	**61 840**
Undrawn group overdraft facility	**7**	**85 000**	**85 000**
Undrawn credit facility	**7**	**300 000**	**150 000**

NOTES – PARENT COMPANY

(NOK 1 000)

ACCOUNTING PRINCIPLES

The annual accounts have been prepared in accordance with the provisions of the Norwegian Accounting Act and generally accepted accounting principles in Norway.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the international IFRS standards.

SALES REVENUE

Revenue from services is recognised as services are rendered. The portion of sales revenue relating to future rendering of services is capitalised as unearned revenue on the sale and recognised thereafter as the service is rendered.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Current assets and liabilities include items due for payment within one year of the date of acquisition. Other items are classified as non-current assets/liabilities.

Current assets are valued at the lower of cost of acquisition and fair value. Current liabilities are recognised at nominal value on the date of commencement.

Non-current assets are measured at the cost of acquisition, but are written down to fair value if impairment is identified which is not considered to be of a temporary nature. Non-current liabilities are recognised at nominal value on the date of commencement. Costs associated with non-current liabilities are amortised over the duration of the loan using the effective interest method.

RECEIVABLES

Trade and other receivables are recognised in the balance sheet at their nominal value, following deductions for provisions for expected losses. Provisions for losses are made on the basis of the individual claims.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Foreign currency transactions are recognised at the exchange rate prevailing at the transaction date. Foreign currency monetary items are valued using the exchange rate prevailing at the balance sheet date. Currency gains/losses on receivables/liabilities are classified as financial items.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised and depreciated over the asset's expected useful life. Direct maintenance of property, plant and equipment is recognised under operating expenses as it is incurred, while overheads or improvement costs are added to the cost price of the asset and depreciated in pace with the asset's own depreciation. If the recoverable amount of the asset is lower than its carrying amount, this is written down to its recoverable amount. The recoverable amount is the higher of net realisable value and value in use. Value in use is the present value of future cash flows the asset will generate.

FINANCIAL INSTRUMENTS

In addition to traditional financial instruments such as trade receivables, trade payables and interest-bearing liabilities, the Company also uses forward exchange contracts and interest rate swaps to limit the Company's currency and interest rate exposure. The effects of these instruments are recognised as they arise, together with the hedged objects. The interest rate instruments are not measured at the fair value on the balance sheet date because the Company uses hedge accounting. The currency instruments are valued at fair value and converted to the exchange rate specified on the balance sheet date.

SHARES

In the company accounts, the cost method of accounting is used for all shares.

PENSION EXPENSES

Pensions are accounted for in accordance with NRS 6A, applying IAS 19 under Norwegian Legislation. Pension costs and benefit obligation are calculated using the straight-line method, based on the expected final salary. The calculations are based on a number of assumptions, including discount rate, future changes in salary, pensions and national insurance contributions, the expected return on plan assets and actuarial assumptions on mortality and early retirement. The discount rate is based on corporate bonds with a high credit rating. The Norwegian market for bonds with preferential rights is considered to have the features that would indicate that it can be used as a basis in the calculation of the discount rate. Plan assets are measured at fair value and deducted from net pension liabilities in the balance sheet. Changes in the benefit obligation arising from changes in plan assets are distributed over the expected remaining service period. Changes in the benefit obligation and plan assets due to the effects of changes and deviations in actuarial assumptions (actuarial gains and losses) are recognised in equity (net after tax).

TAX

Tax expense in the income statement includes income tax payable for the period and changes in deferred tax. Deferred tax is calculated at 27% based on the temporary differences between accounting and fiscal values and loss carryforwards at the end of the financial year.

Tax-increasing and tax-reducing temporary differences which reverse or may reverse in the same period are offset. Net deferred tax asset is recognised to the extent that it is probable that it can be utilised.

INTEREST-BEARING LOANS AND BORROWING COSTS

Loans are recognised at the initial amount received less directly related transaction costs. In subsequent periods, interest-bearing loans are measured at amortised cost using the effective interest method. Profit and loss is entered in the income statement when liabilities are deducted from the balance and via amortisation. Borrowing costs are expensed as they arise.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Cash & cash equivalents include cash and bank deposits.

USE OF ESTIMATES

Preparation of the annual financial statements in accordance with good accounting practice requires the use of estimates and assumptions by management which influence the income statement and the valuation of assets and liabilities, and disclosures on uncertain assets and obligations at the balance sheet date.

Contingent losses which are probable and quantifiable, are expensed as incurred.

NOTE 1 EQUITY

(NOK 1 000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM RESERVE	OTHER PAID-IN CAPITAL	OTHER EQUITY	TOTAL EQUITY
Equity as of 01.01.2014	13 329	-106	82 955	2 326	28 164	126 669
Profit/loss for the year					72 126	72 126
Allocated dividends			-6 140	-2 326	-73 454	-81 920
Actuarial gains/losses for the year					-75	-75
Movement in own shares etc.		-11			-26 762	-26 773
Equity at 31.12.2014	**13 329**	**-117**	**76 816**	**0**	**0**	**90 028**

NOTE 2 PROPERTY, PLANT & EQUIPMENT

(NOK 1 000)	LAND/ BUILDINGS AND OTHER PROPERTY	FIXTURES/ FITTINGS, EQUIPMENT AND SIMILAR	TOTAL
Cost of acquisition as of 01.01.2014	8 345	525	8 870
Property, plant & equipment purchased	0	591	591
Cost of acquisition 31.12.2014	**8 345**	**1 117**	**9 462**
Accumulated depreciation and impairment 31.12.2014	1 983	366	2 349
Carrying amount at 31.12.2014	**6 362**	**751**	**7 113**
Depreciation for the year	469	135	604
Useful life	20 years - perpetual	4-10 years - perpetual	

NOTE 3 INTANGIBLE ASSETS

(NOK 1 000)	RIGHTS TO TECHNOLOGY	TOTAL
Cost of acquisition as of 01.01.2014	22 215	22 215
Cost of acquisition 31.12.2014	**22 215**	**22 215**
Accumulated depreciation and impairment 31.12.2014	2 222	2 222
Carrying amount at 31.12.2014	**19 994**	**19 994**
Depreciation for the year	1 777	1 777
Useful life	12.5 years	

NOTE 4 SHARES IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

SUBSIDIARIES

(NOK 1 000)	REGISTERED OFFICE	OWNERSHIP SHARE	VOTING SHARE	CARRYING AMOUNT
Hexagon Ragasco AS	Raufoss	100%	100%	64 905
Hexagon Raufoss AS	Raufoss	100%	100%	30 842
Hexagon Technology AS	Ålesund	100%	100%	6 200
Hexagon Lincoln Inc.	Nebraska, USA	100%	100%	19 020
				120 966

30 January 2014 Hexagon Composites ASA completed the sale of the 100% owned subsidiary Hexagon Devold AS to Saertex GmbH & Co KG. The shares was sold with profit NOK 13 thousand.

EQUITY AND PROFIT/LOSS AS REPORTED IN MOST RECENT ANNUAL ACCOUNTS (COMPANY)

(NOK 1 000)	HEXAGON RAGASCO AS	HEXAGON RAUFOSS AS	HEXAGON TECHNOLOGY AS	HEXAGON LINCOLN INC.
Cost of acquisition	64 905	30 842	6 200	19 020
Equity at 31.12.2014	108 870	33 207	54 029	297 726
Profit 2014	78 381	-16 308	37 897	93 878

ASSOCIATES AND JOINT VENTURES

(NOK 1 000)	REGISTERED OFFICE	OWNERSHIP SHARE	VOTES	CARRYING AMOUNT
Rugasco LLC	Nizhny Novgorod, Russia	49.0 %	50.0 %	3 849

EQUITY AND PROFIT/LOSS AS REPORTED IN MOST RECENT ANNUAL ACCOUNTS

(NOK 1 000)	RUGASCO LLC
Cost of acquisition	3 849
Equity at 31.12.2014	-19 056
Profit/loss 2014	-19 108

NOTE 5 RECEIVABLES AND LIABILITIES

(NOK 1 000)	2014	2013
RECEIVABLES DUE FOR PAYMENT AFTER 1 YEAR		
Other non-current receivables	2 932	2 905
Loans to group companies	364 485	381 706
Total	**367 416**	**384 611**
LONG-TERM LIABILITIES DUE FOR PAYMENT AFTER 5 YEARS		
Liabilities to credit institutions	0	0
Total	**0**	**0**
Liabilities secured with collateral	**0**	**150 000**

Bank loans are secured against trade payables, inventories, and operating equipment in the Group's Norwegian subsidiaries. The Parent Company also has unconditional guarantees from the Norwegian subsidiaries.

LONG-TERM FINANCING

(NOK 1 000)	CURRENCY AMOUNT	CARRYING AMOUNT	INTEREST	DURATION	MATURITY
Bond issue	300 000	297 243	Nibor 3 mth + 5.00%	5 years	02.07.2018

In addition to the bond-loan Hexagon Composites ASA has a unused credit facility of NOK 300 000 from DNB.

Costs associated with the loans are amortised over the duration of the loans using the effective interest method and are included in the carrying amount of the loans. Balance as of 31.12.2014 was NOK 2 757 thousand.

Some loan agreements require the Company to maintain its key figures and financial ratios at defined levels.

It is a requirement for the bond loan and financing at DNB that the Group's equity is higher than 30% of capital employed (total interest-bearing liabilities plus equity).

For the bond loan there is also a requirement that the interest coverage ratio (rolling earnings before interest, tax, depreciation/amortisation for the last 12 months/rolling net interest expenses) must be greater than 2.0.

In addition, dividends declared for any one year is limited to a maximum of 50% of Net Profit for the year.

Financing from DNB requires that the Group's NIBD/EBITDA (net interest-bearing debt/rolling earnings before interest, tax, depreciation/amortisation for the last 12 months) is less than 4.0.

(NOK 1 000)	31.12.2014
Fair value of interest rate swaps	-7 334
Net fair value of unrecognised interest rate swaps	**-7 334**

Unrealised loss on interest rate swaps of NOK 7 334 thousand has not been recognised due to the Company using hedge accounting.

NOTE 6 INTRA-GROUP BALANCES

(NOK 1 000)	2014	2013
INCOME		
Administrative services to subsidiaries	19 447	11 697
Total	**19 447**	**11 697**
RECEIVABLES		
Loans to group companies	364 485	381 706
Trade receivables	127	112
Other current receivables	130 184	51 100
Total	**494 795**	**432 917**
LIABILITIES		
Liabilities to group companies - long-term	30 743	26 536
Liabilities to group companies - current	7 802	6 205
Total	**38 545**	**32 741**

NOTE 7 BANK DEPOSITS

(NOK 1 000)	2014	2013
Restricted tax withholdings	654	300

The Group's liquidity in Norway is organised in a Group overdraft facility. This means that the Norwegian subsidiaries' cash in hand is formally considered a receivable from the Parent Company and that the companies are jointly responsible for withdrawals made by the Group under this arrangement.

NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

SHARE CAPITAL CONSISTS OF

(AMOUNTS IN NOK)	NUMBER	NOMINAL	CARRYING AMOUNT
A shares	133 294 868	0.10	13 329 487

The Company's share capital consists of one class of shares and is fully paid-up.

20 LARGEST SHAREHOLDERS AS OF 31.12.2014

	NUMBER OF SHARES	SHAREHOLDING
Flakk Holding AS [1,2]	39 115 988	29.35%
MP Pensjon PK	12 267 614	9.20%
Bøckmann Holding AS	10 000 000	7.50%
Nødingen AS [1]	4 800 000	3.60%
DNB Markets, AKS	4 546 720	3.41%
Skandinaviska Enskilda Banken AB	4 436 967	3.33%
JP Morgan Chase Bank Special Treaty Lendi	3 731 449	2.80%
Verdipapirfondet DNB	1 810 325	1.36%
Thread - Pan Eur Sma c/o Citybank NA	1 804 197	1.35%
Thread - European SM c/o Citybank NA	1 775 721	1.33%
Verma Mutual Pension Company	1 559 147	1.17%
JP Morgan Chase Bank, SA Escrow Account	1 469 738	1.10%
JP Morgan Chase Bank, Handelsbanken Nordic	1 410 192	1.06%
Hexagon Composites ASA	1 166 075	0.87%
JP Morgan Chase Bank, NA (Nominee)	1 072 727	0.80%
Spilka International AS	1 007 852	0.76%
Verdipapirfondet Eik	1 006 518	0.76%
Flakk Invest AS [1]	1 000 000	0.75%
Lars Ivar Flydal	900 000	0.68%
Storebrand Norge JP Morgan Europe Ltd.	789 230	0.59%
Total 20 largest shareholders	**95 670 460**	**71.77%**
Remainder	37 624 408	28.23%
Total	**133 294 868**	**100.00%**

1) These shareholdings are controlled by the Chairman of the Board, Knut Flakk.
2) Flakk Holding AS has entered into a forward agreement for the buy-back of 6 000 000 shares from DNB Bank ASA on 20 May 2015.

The total number of shareholders as of 31.12.2014 was 2 755 of whom 197 were foreign shareholders.

NOTE 9 PENSIONS AND BENEFIT OBLIGATIONS

The Company is legally obliged to have occupational pension arrangements under the Norwegian Mandatory Occupational Pension Act. The Company's pension arrangements satisfy the requirements of this Act.

The parent Company's pension arrangements cover 11 people in total - ten employed and one retired. Pension arrangements are dealt with according to the Norwegian Accounting Standard NRS 6A for pension costs.

In December 2008, the Group decided to terminate the defined benefit pension plan for employees under 52 years of age on the date of transfer. These employees joined a defined contribution pension plan with effect from 1 January 2009. Employees over the age of 52 on the date of transfer continued to be members of the defined benefit plan.

The defined benefit pension plans give an entitlement to defined future returns on plan assets. These largely depend on years of service, salary level on retirement and the amount of national insurance contributions. The Company's benefit obligation is covered by an insurance plan.

As a part of the wage settlement in October 2014 the contribution rates increased from 5% to 7% for salaries in the range of up to 7.1 times the national insurance base rate (G) and from 8% to 15% for salaries in the range 7.1 to 12 G.

Contributions for the year were expensed at NOK 797 thousand (69), excluding employer's contributions.

NET PENSION EXPENSES FOR THE YEAR IN THE DEFINED BENEFIT PENSION PLAN ARE CALCULATED AS FOLLOWS

(NOK 1 000)	2014	2013
Current service cost	40	71
Interest cost on benefit obligation	69	43
Expected return on plan assets	-80	-47
Administrative costs	8	8
Employer's contribution	5	11
Total	**41**	**85**

PENSION LIABILITIES AND PLAN ASSETS

(NOK 1 000)	2014	2013
Present value of funded obligations	1 886	1 775
Fair value of plan assets	-2 110	-2 027
Employer's contributions on net pension liabilities	-32	-36
Net pension liabilities/plan assets recognised in balance sheet 31.12	**-255**	**-288**
Net liability recognised in balance sheet 1 January	-288	-172
Recognised benefit expense	41	85
Premium payments/contributions paid	-111	-21
Actuarial gains/losses recognised directly in equity	103	-180
Net liability recognised in balance sheet 31.12	**-255**	**-288**
Retirement benefit obligation	**0**	**0**
Plan assets	**255**	**288**
Accumulated actuarial gains/losses are recognised directly in equity (net after tax).	162	86

FINANCIAL ASSUMPTIONS

(NOK 1 000)	2014	2013
Discount rate	2.30%	4.00%
Expected salary adjustment	2.75%	3.75%
Expected pension adjustment	0.00%	0.60%
Adjustment of national insurance base rate	2.50%	3.50%
Expected return on plan assets	2.30%	4.00%
Mortality table	K2013 BE	K2013 BE

Actuarial assumptions for demographic factors and resignation are based on standard assumptions used within the insurance sector. Previously, the selected discount rate was based on 10-year Government bond interest. In 2013 the Parent Company changed this to the discount rate being based on interest on corporate bonds with a high credit rating. The transition did not entail any significant accounting effects.

NOTE 10 TAX

TAX EXPENSE FOR THE YEAR CONSISTS OF

(NOK 1 000)	2014	2013
Income tax payable	19 656	6 062
Change in deferred tax	7 216	3 425
Total tax expense	**26 872**	**9 487**

CALCULATION OF TAX BASE FOR THE YEAR

(NOK 1 000)	2014	2013
Profit before tax	98 978	40 173
Permanent differences	220	149
Gains and losses on/sale of financial assets (27%)	327	-6 503
Change in temporary differences	-26 725	-6 500
Use of loss carryforwards	0	-5 670
Tax base for the year	**72 801**	**21 648**

Received group contributions of NOK 128 221 thousand (49 110 thousand in 2013) have been entered as income on investments in subsidiaries and included in the pre-tax profit.

OVERVIEW OF TEMPORARY DIFFERENCES

(NOK 1 000)	2014	2013
Receivables	25 268	-1 597
Non-current assets	-658	-448
Pensions	255	288
Total	**24 865**	**-1 757**
27% Deferred tax	6 714	-474

WHY TAX EXPENSE FOR THE YEAR DOES NOT AMOUNT TO 27% (28% IN 2013) OF PROFIT BEFORE TAX

(NOK 1 000)	2014	2013
27% (28% in 2013) of profit before tax	26 724	11 248
Permanent differences 27% (28% in 2013)	59	42
Gains and losses/sale of financial assets 27% (28% in 2013)	88	-1 821
Correction for previous year	0	0
Effect of change in tax rate	0	18
Calculated tax expense	**26 872**	**9 487**
Effective tax rate [1]	27.1 %	23.6 %

1) Tax expense in relation to profit before tax.

From the 2014 financial year, the tax rate on general income in Norway has been reduced from 28% to 27%. Deferred tax and deferred tax assets are calculated using a tax rate of 27%. The effect of changing rates on tax expense for the year 2013 was NOK -18 thousand.

NOTE 11 PAYROLL, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES ETC.

PAYROLL COSTS

(NOK 1 000)	2014	2013
Wages/salaries and fees	21 952	11 426
Employer's contribution	2 548	665
Pension expense	506	152
Other contributions	538	240
Total	**25 544**	**12 483**

There were 10 (3 in 2013) employees in the Company during the financial year.

(NOK 1 000)	FEES TO BOARD MEMBERS	SALARIES	BONUSES PAID	BENEFITS IN KIND	PAID PENSION PREMIUM	TOTAL REMUNE-RATION
EXECUTIVE MANAGEMENT						
Jon Erik Engeset, Group President		2 636	270	79	109	3 094
Tore J. Fjell, Senior Vice President		1 401	590	199	22	2 213
David Bandele, CFO		1 469	0	9	81	1 560
BOARD OF DIRECTORS						
Knut Flakk, Chairman	190					190
Kristine Landmark, Deputy Chair	100					100
Sverre Narvesen	120					120
Tom Vidar Rygh	0					0
May Britt Myhr	0					0
FORMER BOARD MEMBERS						
Kristin Krohn Devold	145					145
Jan Magne Galåen [1]	120					120
Total remuneration	**675**	**5 507**	**860**	**288**	**212**	**7 541**

1) Board remuneration to J. M. Galåen was paid to the employer, Rasmussengruppen AS.

The Chairman of the Board has no agreement relating to termination benefits. In his employment agreement, the Group President has a period of notice of 6 months. He has an agreement for up to 12 months' severance pay. The management of the Group have a target-based bonus agreement. At the end of the year, the following bonuses were allocated: NOK 1 450 thousand to the Group President, NOK 300 thousand to the Senior Vice President and NOK 600 thousand to the CFO.

Group management participate in the Company's general pension arrangements, which are described in Note 8, Pensions.

No loans have been made, or security provided for loans, to any member of Group management, the Board or other elected standing committees.

SHARES OWNED BY BOARD MEMBERS OR RELATED PARTIES

	2014	2013
Knut Flakk, (Chairman) [1)]	45 047 236	45 047 236
Kristine Landmark (Deputy chair) [2)]	10 000	0
Tom Vidar Rygh (Board Member) [3)]	50 000	N/A
Gunnar S. Bøckmann (Deputy Board Member) [4)]	10 339 400	10 269 400
Line K. Flakk [5)]	681 802	681 802

1) Of the shares owned by Knut Flakk, 131 248 are privately owned, 39 115 988 are owned through Flakk Holding AS, 4 800 000 are owned through Nødingen AS and 1 000 000 are owned through Flakk Invest AS. Flakk Holding AS has also entered into a forward agreement with DNB Bank ASA for the buy-back of 6 000 000 shares as of 20 May 2015. See note 17.
2) The shares are owned by Kristine Landmarks husband, Bjørn Siem.
3) Shares owned by Tom Vidar Rygh is owned through Retiro AS.
4) Of the shares owned by Gunnar S. Bøckmann, 339 400 are privately owned and 10 000 000 are owned through Bøckmann Holding AS.
5) Line K. Flakk is married to Knut Flakk.

EXPENSED AUDITORS' FEES AND COMPRISED OF THE FOLLOWING SERVICES (NOT INCLUDING VAT)

(NOK 1 000)	2014	2013
Statutory audit and auditing-related services	837	841
Other attestation services	18	0
Tax advice	7	0
Other non-auditing services	0	921
Total	**862**	**1 761**

NOTE 12 MERGED ITEMS IN THE ACCOUNTS

FINANCE INCOME

(NOK 1 000)	2014	2013
Interest income from group companies	25 222	21 099
Other interest income	1 900	2 206
Other finance income (currency gains)	50 561	15 906
Profit on sale of shares	13	0
Reversed impairment for shares in subsidiaries	0	7 750
Total finance income	**77 695**	**46 961**

FINANCE EXPENSE

(NOK 1 000)	2014	2013
Interest expenses to group companies	2 137	1 388
Other interest expenses	25 976	22 264
Accrued provisions for non-current liabilities	2 486	486
Currency losses	47 556	11 349
Loss on sale of shares	0	1 247
Other finance expense	721	533
Total finance expense	**78 875**	**37 267**

NOTE 13 FINANCIAL MARKET RISK

The Company's international activities expose it to currency risk and interest risk. Derivative financial instruments are used to minimise these risks under the Group's strategy for interest and currency exposure.

INTEREST RATE RISK
Interest rate risk arises in the short and medium term from the Company's floating rate liabilities. The Company uses interest rate swaps to minimise the risk.

CURRENCY RISK
Fluctuations in exchange rates represent a financial risk to the Company, both directly and indirectly. The Company uses currency swaps and borrows in foreign currency to minimise the risk.

NOTE 14 EVENTS AFTER THE BALANCE SHEET DATE

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

HEXAGON
COMPOSITES

STATEMENT FROM THE BOARD OF DIRECTORS AND GROUP PRESIDENT

WE CONFIRM TO THE BEST OF OUR KNOWLEDGE;

- that the consolidated financial statements for 2014 have been prepared in accordance with IFRS as adopted by the European Union, as well as additional information requirements in accordance with the Norwegian Accounting Act,

- that the financial statements for the Parent Company for 2014 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and

- that the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and result of Hexagon Composites ASA and the Hexagon Composites Group for the period.

We also confirm to the best of our knowledge that the Board of Directors' Report includes a true and fair view of the development, performance and financial position of Hexagon Composites ASA and the Hexagon Composites Group, together with a description of the principal risks and uncertainties that they face.

Ålesund, 18 March 2015
The Board of Directors of Hexagon Composites ASA

Knut Flakk Chairman	Kristine Landmark Deputy Chair	Sverre Narvesen Board Member
May Britt Myhr Board Member	Tom Vidar Rygh Board Member	Jon Erik Engeset Group President

Building a better working world

State Authorised Public Accountants
Ernst & Young AS

DaaeGården, NO-6010 Ålesund
Langelandsvegen 1, NO-6010 Ålesund

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 70 11 82 82
Fax: +47 70 14 34 86

www.ey.no
Member of the Norwegian Institute of Public Accountants

To the Annual Shareholders' Meeting of
Hexagon Composites ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Hexagon Composites ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2014, the income statement and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2014, the income statement, the statements of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Group President's responsibility for the financial statements

The Board of Directors and Group President are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Group President determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Building a better working world

2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Hexagon Composites ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Group President have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Ålesund, 18 March 2015
ERNST & YOUNG AS

Amund Frøysa
State Authorised Public Accountant (Norway)

GLOSSARY

ASA	Public Limited Company in Norway
BAR	Unit of pressure. 1 millibar = 100 N/m^2
CHG	Compressed Hydrogen Gas
CNG	Compressed Natural Gas
TYPE 1	Steel cylinder
TYPE 2	Steel cylinder, composite-reinforced
TYPE 3	Composite cylinder with metal liner
TYPE 4	Composite cylinder with polymer liner
EBIT	Earnings before interests and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
HEX	Hexagon Composites ticker on Oslo Børs
HMS	Health, Safety & Environment. Collective term for activities elating to health protection, environmental protection, working environment and employee safety.
HYDROGEN	Light, colourless gas (Symbol H), produced on an industrial scale
IA	Inclusive Workplace
ISO	International Organization for Standardization - publishes standards in a large number of areas
JOINT VENTURE	Legally signed contractual agreement whereby two or more parties undertake an economic activity
COMPOSITE	Combination of glass/carbon fibre and thermosetting plastic, exploiting the malleability of the plastic and the stiffness and strength of the glass/carbon fibre
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas (propane gas)
MATCH	Equity segment on Oslo Børs
MOBILE PIPELINE™	Gas distribution products
NGV	Natural Gas Vehicle
OEM	Original Equipment Manufacturer
OSE	Oslo Stock Exchange (Oslo Børs)
RESIN	Chemical adhesives for strengthening glass and/or carbon fibre
SMARTSTORE™	High-pressure composite cylinder for bulk transportation and storage of CNG
SCM^3	Standard cubic metres. Unit for volumetric measurement of oil, natural gas and natural gas condensate at standard conditions defined in the ISO standard ISO 13443
STYREN	Organic hydrocarbon used in the production of rubber and plastic components
TITAN™	High-pressure composite cylinder for bulk transportation and storage of CNG
TUFFSHELL®	High-pressure CNG cylinder for heavy-duty vehicles
5S	Philosophy and way of organising and managing the workplace and workflow for the purpose of improving efficiency

FINANCIAL CALENDAR 2015

GENERAL MEETING
21 April 2015

1ST QUARTER 2015
7 May 2015

2ND QUARTER AND HALF YEAR REPORT 2015
13 August 2015

3RD QUARTER 2015
29 October 2015

4TH QUARTER 2015
11 February 2016

CONTACT US

IR CONTACTS
David Bandele
CFO
Phone: +47 920 91 483
david.bandele@hexagon.no

Solveig D. Sæther
Communication Manager
Phone: +47 906 34 977
solveig.saether@hexagon.no

ADDRESS
Hexagon Composites ASA
Korsegata 4B
P. O. Box 836 Sentrum
NO-6001 Ålesund
Phone: +47 70 30 44 50
office@hexagon.no
www.hexagon.no

HEXAGON COMPOSITES ASA
Korsegata 4B, P. O. Box 836 Sentrum, NO-6001 Ålesund, Norway. Phone: +47 70 30 44 50, office@hexagon.no, www.hexagon.no