ANNUAL REPORT

HEXAGON

2018

CONTENTS

HEXAGON COMPOSITES ASA

OSE:HEX

Hexagon delivers safe and innovative solutions for a cleaner energy future. Our solutions enable storage, transportation and conversion to clean energy in a wide range of mobility, industrial and consumer applications.

"After the recent acquisitions of Agility Fuel Solutions and Digital Wave, Hexagon has expanded its footprint and strengthened its leading position.

WORKFORCE

920

MODERN PRODUCTION FACILITIES

NORWAY

USA

GERMANY

OPERATING INCOME

1,487

MNOK

NET PROFIT

140.2

MNOK

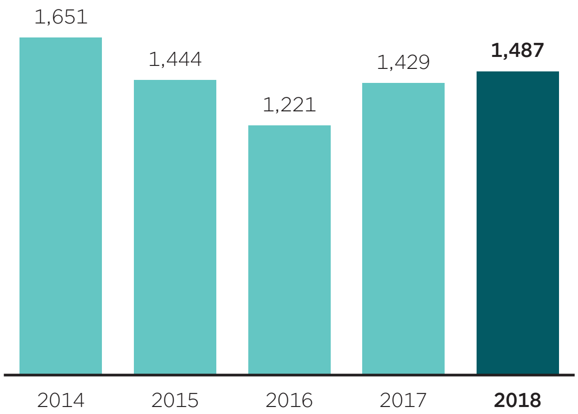
EQUITY RATIO

58.9

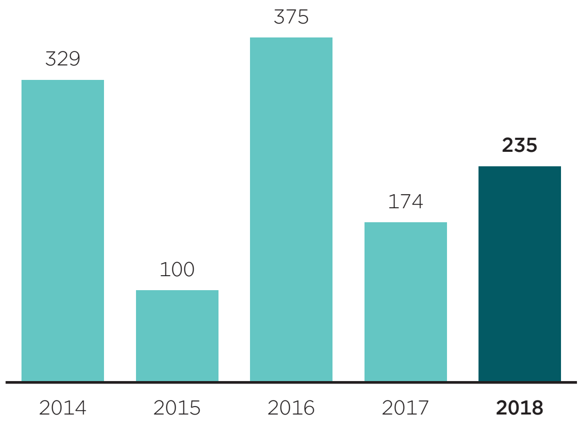
%

KEY FIGURES

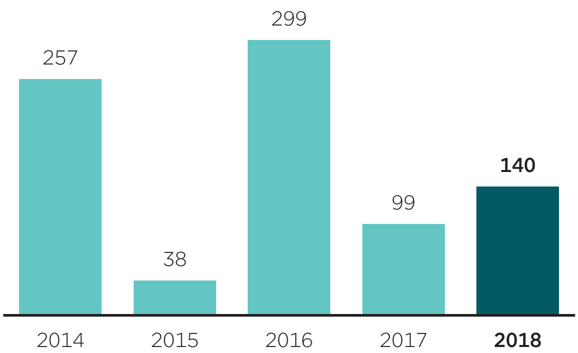
REVENUE MNOK



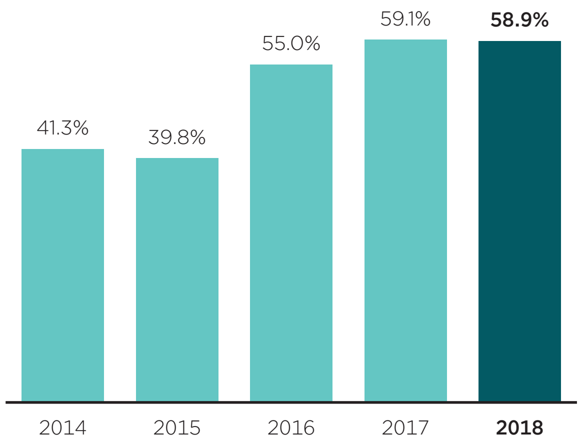
EBITDA MNOK



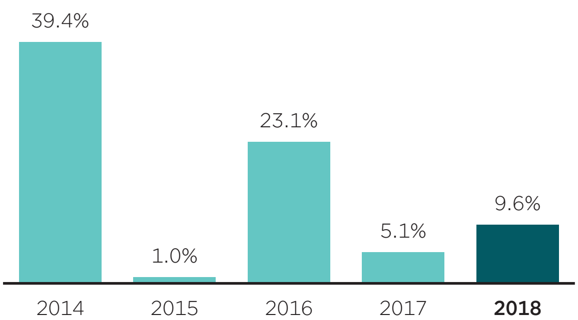
EBIT MNOK



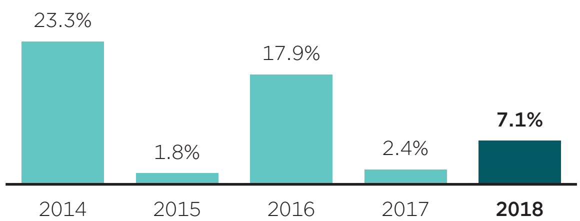
EQUITY RATIO %



RETURN ON EQUITY %



TOTAL RATE OF RETURN %



(NOK 1 000)

REVENUES AND PROFIT	2018	2017	2016	2015	2014
Revenue	1 486 521	1 429 397	1 220 511	1 443 873	1 650 829
Operating profit before depreciation (EBITDA)	234 520	174 022	374 877	100 119	329 151
Operating profit (EBIT)	140 202	99 291	299 266	37 513	256 788
Profit before tax	168 727	48 227	311 866	291	237 419
Profit after tax	141 462	69 472	208 303	4 563	164 672
CAPITAL 31.12					
Total assets	2 616 343	2 391 298	2 424 847	1 180 789	1 179 615
Equity	1 540 063	1 412 441	1 333 170	470 138	487 109
Equity ratio [1]	58.9 %	59.1 %	55.0 %	39.8 %	41.3 %
PROFITABILITY AND RATE OF RETURN					
Cash flow from operations	154 601	90 434	–4 034	41 276	175 908
Operating margin [2]	9.4 %	6.9 %	24.5 %	2.6 %	15.6 %
Return on equity [3]	9.6 %	5.1 %	23.1 %	1.0 %	39.4 %
Total rate of return [4]	7.1 %	2.4 %	17.9 %	1.8 %	23.3 %
NIBD/EBITDA [5]	1.6	1.2	0.6	3.0	0.3
SHARES					
Share capital	16 663	16 663	16 663	13 329	13 329
Total number of shares per 31.12	166 627 868	166 627 868	166 627 868	133 294 868	133 294 868
Earnings per share [6] (NOK)	0.86	0.42	1.40	0.03	1.24
Cash flow per share [7] (NOK)	0.92	0.55	-0.03	0.31	1.33
Equity per share [8] (NOK)	9.24	8.48	8.00	3.56	3.67

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 divided 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.

LEVERAGING GROWTH OPPORTUNITIES

The establishment of Hexagon Purus, the acquisitions of Agility Fuel Solutions and Digital Wave, as well as the investments in the LPG cylinder plant at Hexagon Ragasco are among the highlights that have made us an even stronger force in “Driving energy transformation” during 2018.

With the growing momentum in the transition to a low-carbon economy, the world is demanding actions from authorities and market players including car manufacturers, energy providers and technology innovators.

The global automotive industry has entered a phase of restructuring to meet local emission regulations. An expanding list of countries are banning the future sale of diesel and petrol cars. The transport sector represents as much as 22% of global CO2 emissions. The European Union is finally coming to an agreement to a 30% cut in truck CO2 emissions.

We continue to see strong market build-up in the hydrogen space, with significant plans announced by several players. By the end of 2018 nearly 10,000 FCEVs were in operation, and the vision for the role of hydrogen as one of the key energy sources of the future is being realized.

The increasing alignment of economic and environmental benefits is driving the market adoption of cleaner alternatives. Hexagon is positioned in the middle of this exciting development as a trusted partner for cleaner and cost-effective solutions.

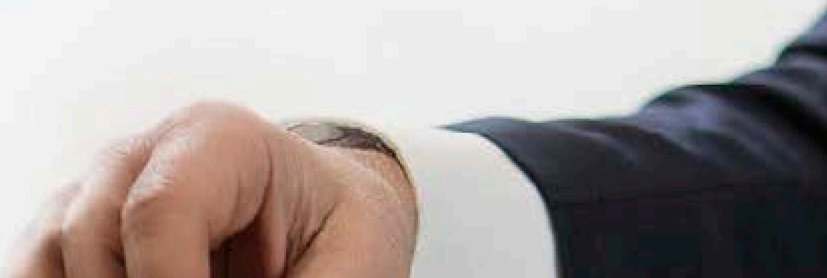
CONSOLIDATING STRUCTURE AND MARKET POSITION

After the recent acquisitions of Agility Fuel Solutions and Digital Wave Corporation, the Hexagon Group has expanded its footprint and strengthened its leading position with a broader offering.

We reached a historic milestone with the acquisition of the remaining fifty percent share of Agility Fuel Solutions. The investment strengthens Hexagon's position as the globally leading clean fuel solutions provider.

Agility experienced a strong 2018. The Heavy-Duty Truck segment rebounded in the second half of the year. The North American and European Transit Bus market as well as the Refuse Truck market were strong throughout the year.

With the acquisition of Digital Wave, we have fully integrated capabilities for testing and requalification of high-pressure cylinders with the most advanced capabilities and technology currently available.



"After the recent acquisitions of Agility Fuel Solutions and Digital Wave Corporation, the Hexagon Group has expanded its footprint and strengthened its leading position with a broader offering."

Jon Erik Engeset,

Group President & CEO of Hexagon Composites ASA

A word from the CEO

Since the acquisition of xperion in late 2016, we have integrated and consolidated the organizational structure and realized synergies. To meet the growing market opportunities for renewable fuels solutions, we launched the new business area Hexagon Purus for our Hydrogen and CNG Light-Duty Vehicles activities early last year, further sharpening our clean energy focus.

In 2018 we received our second and third serial production order for hydrogen tanks for Fuel Cell Electric Vehicles (FCEVs) from leading OEMs. These contracts reaffirm our leading position and confirm the long-term potential for zero-emissions vehicles.

We continue to make substantial organizational investments to capture the Hydrogen opportunity. These plans are dilutive to short and medium-term profitability, however accretive to long-term shareholder value.

The strong gas mobility drive in the European light-duty vehicle market continues to stimulate demand for our lightweight CNG cylinders. Driven by increased environmental focus and emissions regulations, the outlook for 2019 remains very positive.

The launch of the large capacity TITAN®53 gas transport module, with the market's largest composite cylinder tanks, is already proving successful with its greater capacity to weight ratio. The Mobile Pipeline® segment continued the upward trend in 2018, and the favorable fundamental drivers point to continued strong demand.

Hexagon Ragasco reached a milestone when we celebrated 15 million cylinders sold worldwide in 2018. The production investments at the LPG cylinder facility which was completed in early 2019, further enhance manufacturing efficiency and product differentiation, as well as provide more capacity.

INVESTING IN DIGITAL INNOVATION
The addition of Digital Wave into our technology portfolio gives us line of sight to smart sensing of cylinders. We look forward to enhancing our Mobile Pipeline® modules to digitally communicate critical performance parameters and real time analysis.

CULTURAL FOUNDATION
We base our culture on our core values of Integrity and Drive as the globally leading clean fuel solutions provider.

My team and I are excited about our opportunities, and I am convinced that we will become an even stronger force in driving energy transformation globally by promoting the alternatives of natural gas, biogas, hydrogen, propane and electrification.

I thank our shareholders and other key stakeholders for their continued support during 2018.

JON ERIK ENGESET
Group President & CEO

IMPORTANT EVENTS IN 2018

CONSOLIDATING STRUCTURE AND MARKET POSITIONS

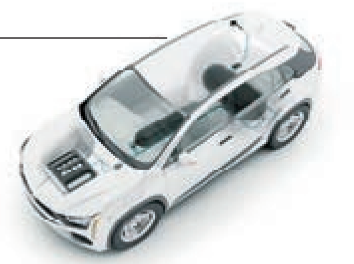
After the recent M&A transactions, Hexagon has expanded its footprint and strengthened its position as the globally leading gas fuel solutions provider. Going forward, the main focus is to realize the benefits from the transaction and deliver on the strategic agenda.

Agility fuel solutions

ACQUISITION OF AGILITY
Acquisition of the remaining 50% of Agility Fuel Solutions, the leading global provider of clean fuel solutions for medium- and heavy-duty commercial vehicles.

ACQUISITION OF DIGITAL WAVE
Acquisition of Digital Wave Corporation, fully integrating capabilities for unique testing and requalification of high-pressure cylinders.

LAUNCHED HEXAGON PURUS
Organized the Hydrogen and CNG Light-Duty Vehicle activities into a business segment; Hexagon Purus, represents something new, clean and unique – sharpening our clean energy focus.



DELIVERING ON THE HYDROGEN OPPORTUNITY
Received two large contracts from leading OEMs to supply hydrogen tanks for serial production for new FCEV models – confirming our leading position and long-term potential for hydrogen. The total projected value ~NOK 1.8 billion.

1,486

MNOK

REVENUE
- ~40% y-o-y Mobile Pipeline growth offset by lower Purus revenues
- Purus volumes impacted negatively by WLTP[1] in second half of 2018
- LPG matching all-time high 2017 revenues

235

MNOK

EBITDA
- 3.6pp Group EBITDA margin vs last year
- Continued strong LPG margins
- Growth investments in Hydrogen dilutes EBITDA by MNOK 55
- Agility reported solid profitability

FINANCE
- Double-digit Group EBITDA margin
- Strong balance sheet with 59% equity ratio
- Net interest-bearing debt held to within 15% of total assets

1) Worldwide Harmonised Light Vehicle Test Procedure (WLTP)

EXECUTIVE MANAGEMENT

JON ERIK ENGESET

Group President & CEO

MSc and MBA (NHH), CEO & President since 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: 140,867
Number of options: 520,000
Includes shares owned by related parties

DAVID BANDELE

CFO

Bachelor of Economics (University of Sheffield), qualified Chartered Accountant in London (ACA), CFO since 2014. David 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: 68,949
Number of options: 230,000

JACK SCHIMENTI

Executive Vice President

Bachelor degree in Industrial Engineering. Jack Schimenti has been employed at Hexagon Lincoln since 2005 and as President since 2010. He has extensive experience of production processes for composites pressure vessels.

Number of shares: 98,803
Number of options: 230,000

HEIKO CHUDZICK

Executive Vice President Operations

Dipl.-Ing. with a degree in Mechanical Engineering and a major in Automotive Engineering (RWTH Aachen University). Heiko joined Hexagon in April 2018. Previously he served as Vice President Bosch Production Systems, Robert Bosch Automotive Steering, Germany. He has held several senior positions in the automotive and held sectors in ThyssenKrupp internationally.

Number of shares: 0
Number of options: 80,000

SEUNG W. BAIK

President
Agility Fuel Solutions

Juris Doctor (Northwestern University School of Law) and Bachelor of Arts with Distinction (Cornell University School of Arts & Sciences). Chief Legal Officer of Agility since 2014 and President since February 2019. Seung Baik has been a key member of Agility's management team and has led the company in all legal and government affairs matters. Prior to Agility, he practiced law with global law firms Goodwin Procter LLP and Latham & Watkins LLP.

Number of shares: 0
Number of options: 0

MICHAEL KLESCHINSKI

President
Hexagon Purus

PhD and BSc in Mechanical Engineering (respectively Darmstadt University and Glasgow University), President of Hexagon Purus (previously Hexagon xperion) since 2016. Has previously held different management positions within production and engineering and has extensive experience with design and manufacturing of composites.

Number of shares: 3,700
Number of options: 230,000

JON SMITH

President
Mobile Pipeline

BSc in Ocean Engineering (U.S. Naval Academy), MA in Business and Management (Central Michigan University), and graduate diploma in International Strategy and Planning (U.S. Naval War College). Jon Smith joined Hexagon in August 2018, bringing a broad technical, operational and managerial experience from the natural gas industry.

Number of shares: 0
Number of options: 0

SKJALG SYLTE STAVHEIM

President
Hexagon Ragasco

MSc in Economics and Business Administration (BI Norwegian Business School). Skjalg Sylte Stavheim has been employed at Hexagon Ragasco since 1996 and as Managing Director since 2013. He has experience from Delta Consult, Norbok and Raufoss ASA.

Number of shares: 65,419
Number of options: 230,000

THIS IS HEXAGON

WE DELIVER CLEAN ENERGY SOLUTIONS

OUR BUSINESS AREAS

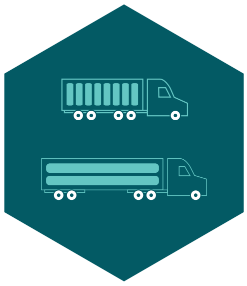
Agility Fuel Solutions

Medium and Heavy-Duty Vehicles

Hexagon Purus

Hydrogen applications
CNG Light-Duty Vehicles

Hexagon Mobile Pipeline



Gas Transportation

Hexagon Ragasco

LPG Cylinders

Hexagon Composites is a globally leading supplier of clean energy technology for gas storage, distribution, fuel systems and drivetrains.

The future of zero-emission economies depends on the most effective and reliable solutions. The value-added features of Hexagon's solutions are that they are light-weight and have a high capacity, long lifetime and an outstanding safety track record. Hexagon is collaborating with leading gas distributors, vehicle manufacturers and system and component suppliers to be at the forefront of its industry. Our ambition is to create value for customers, shareholders and the community by delivering innovative and cost-effective solutions through sustainable business practices.

The Hexagon Group is divided into four business areas; Agility Fuel Solutions, Hexagon Purus, Hexagon Mobile Pipeline and Hexagon Ragasco. Production of its composite pressure cylinders and fuel systems are carried out in modern, automated plants in Norway, Germany and the USA.

Hexagon Composites ASA is listed on the Oslo Stock Exchange (OSE:HEX) and is subject to Norwegian securities legislation and stock exchange regulations.

Having made significant strategic moves in the last two years, Hexagon's priority in 2019 is to leverage the growth opportunities. Hexagon sees strong growth drivers both in the short and long-term across its businesses, particularly within hydrogen and biogas.

Hexagon's objective is to deliver shareholder value through sustainable growth and healthy profitability by pursuing opportunities through the global energy transition.

DRIVING ENERGY TRANSFORMATION

Hexagon delivers safe and innovative solutions for a cleaner energy future. Our solutions enable storage, transport and conversion to clean energy in a wide range of mobility, industrial and consumer applications.

The energy transition towards a low-carbon society provides exciting growth opportunities for the Group. We are driving energy transformation as we deliver the power of clean alternatives with natural gas, biogas, hydrogen, propane and electrification.

OUR VALUES

We have a strong, values-based culture that drives our business performance and guides us in the decision-making processes. Our core values support our purpose, ethical attitudes and what we believe in. We hold ourselves accountable for our interactions internally, as well as externally with our customers, suppliers, owners and the communities.

INTEGRITY

Acting with honesty and honor without compromising the truth is essential to maintaining the highest safety standards when it comes to our products, our people and our communities. Integrity will prevail throughout the organization and in all its functions.

DRIVE

We are privileged to have excellent long-term growth opportunities. A healthy sense of urgency will be evident in our efforts to drive this growth.

Hydrogen, biogas and natural gas continue to increase their share of the global energy mix. The strong momentum towards low-carbon economies is stimulating demand for Hexagon's solutions.

Hydrogen technologies and products are being widely introduced and commercialized into a broad range of applications globally.

Affordable and readily available natural gas will play an essential role in providing affordable cleaner energy for vehicle propulsion and industrial use.

As a carbon-negative solution, biogas is the most emission-friendly fuel available today. Furthermore, biogas relies on existing natural gas infrastructure and proven technology.

The rapid increase worldwide in the use of natural gas and biogas has resulted in strong, long-term growth trends in the markets Hexagon operates in. The alignment of economic and environmental benefits is driving increasing market adoption of cleaner alternatives.

CORPORATE SOCIAL RESPONSIBILITY

Sustainability and social responsibility are an integral part of Hexagon's strategy. Hexagon conducts its business in an economically, socially and environmentally responsible manner and focuses on reducing its impact on the environment and providing innovative and cost-efficient products enabling its customers to do the same.

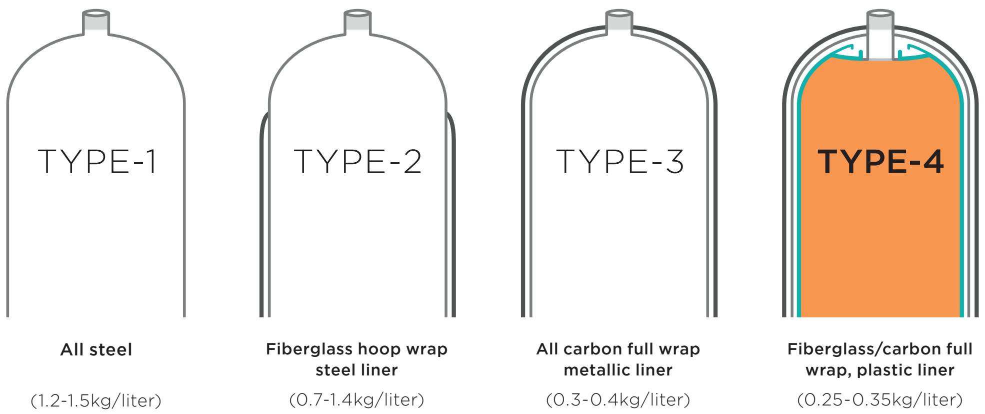
PROVEN TECHNOLOGY AND STRONG TRACK RECORD

The Type 4 all-composite pressure tank proves to be the best combination of weight, safety, efficiency and durability available. Our fuel systems are designed and engineered jointly with leading global truck and bus manufacturers to meet their requirements for safety, packaging, quality and installation.

INNOVATION AND COST-EFFECTIVE PRODUCTION
Product and process innovation starts with resourceful teams at Hexagon that are dedicated to solving challenging energy problems. These teams, along with highly automated and efficient production, are core competitive strengths underlying Hexagon's global leadership. Differentiation through innovation is essential to growing market share and contribution margins. The Group works closely with customers and suppliers to excel in these areas.

PRODUCT SAFETY
A strong safety culture is essential for Hexagon with products that are used to transport and store pressurized gases. Hexagon is involved in several international standards development and maintenance committees with the primary goal of bringing safety to users and the environment. All of Hexagon's products are tested and approved in accordance with established safety standards. Production and related processes are regularly monitored and controlled.

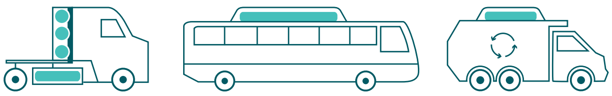
COMPETENCE AND EXPERTISE
Innovation, ambition and expertise are critical success factors. Hexagon encourages diversity in selection practices with the aim of selecting people with different backgrounds and expertise. The Group emphasizes empowerment and a flat organizational structure that recognizes the accomplishments of our people and enables them to thrive.



Hexagon has delivered over 500,000 high-pressure cylinders, 60,000 fuel systems and more than 15 million low-pressure LPG cylinders to customers worldwide.

DELIVERING ON STRATEGIC AGENDA

AGILITY FUEL SOLUTIONS



Heavy-Duty Trucks | Transit Buses | Refuse Trucks

Agility has taken a leading position in providing CNG, LNG, propane, hydrogen and electrification solutions for global commercial vehicle OEMs and fleets. Agility aims to drive clean fuel market penetration in its core North American markets; to continue expanding its business in Europe, India, South America and Asia; and to deepen its capabilities and product offering for clean powertrains and electric/hybrid vehicle solutions.

HEXAGON PURUS

Automotive | Distribution | Ground storage | Rail Marine

Hydrogen

Hexagon has taken a significant role in shaping the hydrogen society by expanding its role as a key solutions provider for the fast-growing hydrogen storage and distribution market. We are expanding our leading position in high capacity hydrogen distribution targeting industrial gas and mobile fueling applications. Hexagon is expanding its market leadership in hydrogen onboard storage for Light-Duty Vehicles and Heavy-Duty Vehicles. Hexagon and Agility are supporting the truck and bus OEMs in developing complete powertrain and fuel storage solutions for their next generation of fuel cell electrical vehicles (FCEVs).

CNG Light-Duty Vehicles

Hexagon continues to reinforce its position as the largest serial production manufacturer of CNG composite tanks for the automotive industry. Major car manufacturers in Europe rely on Hexagon's safe and lightweight technology, as it offers longer range and reduces fuel consumption as well as CO2 emissions considerably. Hexagon aims to expand its market share outside Europe, where CNG will claim a significant share in high-density populated regions due to lower cost and fast gains in reducing emissions.

In 2018, Hexagon established the strategic framework to expand its market position as a global provider of energy gas storage, distribution, fuel systems and drivetrains enabling a fast transition to zero-emission technologies. We will achieve profitable growth in the evolving market for clean energy providing solutions that positively impact the environment and enhance the quality of life for our global community.

HEXAGON MOBILE PIPELINE

Gas Distribution

Hexagon will expand its global leadership in distribution systems for road transportation of compressed energy gases beyond the pipeline. Hexagon aims to diversify its customer footprint in North America by developing new customer groups for natural gas and applying its solutions for biogas and industrial gas distribution. Hexagon aims to grow the biogas market in Europe and to increase its market share in emerging regions by making CNG and biogas a competitive and cleaner alternative to fossil fuels, which cause severe pollution.

HEXAGON RAGASCO

Leisure, household and industrial applications

Hexagon is the undisputed market leader and global supplier of mass-produced, Type 4 all-composite LPG cylinders. The company consistently delivers high-capacity utilization, stable production and efficient and cost-effective operations. Hexagon will continue to grow its market share in Europe by introducing products with enhanced performance and will selectively focus on global opportunities where our product can leverage its superior value.

AGILITY FUEL SOLUTIONS

FUEL SOLUTIONS FOR MEDIUM- AND HEAVY-DUTY VEHICLES

Agility Fuel Solutions is the leading global provider of clean fuel solutions for medium- and heavy-duty commercial vehicles. Its products include energy storage and delivery systems, powertrain solutions and Type 4 composite cylinders. Agility's products are designed and engineered for durability, performance, safety and reliability, providing both economic and environmental benefits to commercial vehicle fleets.

PRODUCT AREAS

Heavy-Duty Trucks

Transit Buses

Refuse Trucks

EMPLOYEES

422

FACILITIES

USA
NORWAY

Agility has developed a broad range of product offerings, including natural gas, hydrogen, and battery electric energy storage and delivery systems, Type 4 composite natural gas cylinders, propane fuel systems and propane dispensers. The company offers solutions for a variety of vehicle types, including heavy-duty trucks, refuse trucks, transit buses, school buses, concrete mixers and delivery trucks. Agility's focus on commercial vehicle sectors is expected to increase competitiveness and shareholder value in the medium- to long-term. Agility's scale and strong balance sheet allowed the company to be proactive while industry conditions were challenging, and the company is now well positioned to benefit from a period of expected growth within the wider Hexagon Group

Agility's core competency is integrating energy storage, delivery and conversion systems into commercial vehicles. Agility's lightweight solutions offer high performance, durability and uncompromised safety, and are backed by comprehensive services and support, making clean fuels both an attractive option for vehicle fleet operators and a well-supported offering for Agility's commercial vehicle OEM customers. Lower emissions and lower fuel and maintenance costs give customers a competitive edge while reducing the environmental impact of their operations.

Hexagon assumed a 50 percent interest in Agility in 2016 and acquired the business outright in January 2019. The investment strengthens Hexagon's position as the globally leading gas fuel solutions provider.

OPERATING RESULTS

For the full year 2018, Agility reported revenues of NOK 1,419 (1,301) million, with a reported EBITDA of NOK 107 (79) million and an adjusted EBITDA of NOK 163 (122) million. Sales volumes were primarily driven by high demand from North American customers.

Agility was reported as a 50% equity accounted investment until January 2019, and thereafter fully consolidated into Hexagon's results.

Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS IN 2018

- Launched one-stop-shop natural gas and propane powertrain and fuel storage solutions for medium-duty vehicles
- Announced intention to provide modular high-performance battery packs for electric and hybrid electric commercial vehicles
- Launched clean energy storage and powertrain systems in India for long-range buses and trucks
- Launched new large-capacity hydrogen storage systems for heavy-duty trucks
- Extended exclusive long-term agreement with New Flyer Industries with a total value of MUSD 75 (approx. MNOK 640)
- Hexagon closed acquisition of Agility Fuel Solutions on 4 January 2019.

OBJECTIVES FOR 2019–2020

- Consolidate leading market position in North America
- Optimize manufacturing footprint following acquisition by Hexagon and invest in production and capacity to meet industry needs
- Develop the rapidly growing heavy-duty fuel cell electric vehicle systems market
- Continue growth and development of powertrain and electric vehicle initiatives generally
- Exploit global opportunities in Europe, India, South-East Asia and South America
- Explore beneficial growth synergies within the Hexagon Group.

MARKET

In 2018, sales volumes in the overall North American heavy-duty and refuse trucks markets were higher than in 2017. North America is Agility's primary market, with fuel systems and cylinders installed in Class 7 and 8 long-haul trucks, refuse collection trucks, transit buses and other heavy-duty truck platforms.

Higher oil prices increase the fuel price spread between CNG and diesel, which is positive for Agility's business. When combined with the environmental benefits of running on CNG versus diesel, the value proposition is strong. The environmental value proposition of natural gas continues to stimulate demand, especially within larger fleets and urban applications. In addition, governments are actively supporting a transition to cleaner transportation fuels by regulation and through funding support at the local and national level.

Natural gas vehicles (NGVs) are 90% cleaner than the Environmental Protection Agency's (EPA) current NOx standard and emit up to 21% fewer GHG emissions than comparable gas and diesel vehicles. When fueling with renewable natural gas (RNG), GHG emissions can be reduced up to 125%[1].

Renewable biogas is accounting for an increasing portion of natural gas used in transportation in key regions. For example, biogas accounted for over 35% of natural gas vehicle fuel in the U.S. in 2018, and over 91% in Sweden. The low emissions profile of natural gas vehicles combined with the low and sometimes negative source-to-wheels greenhouse gas footprint of biogas are making natural gas vehicles an increasingly attractive option for fleets and government entities looking to reduce the environmental impact of transportation.

Heavy-Duty Trucks

Cummins Westport's introduction of a "near zero" emissions 12L natural gas engine at the end of 2017 contributed to a strong pick-up for natural gas vehicles (NGVs) from the second quarter of 2018 and onward.

Agility has been the leading provider of hydrogen fuel storage systems integration to the North American commercial vehicle market for over 15 years. In response to recent increased interest in hydrogen in heavy-duty trucking applications, Agility has recently introduced large-capacity hydrogen storage systems for trucks. Hexagon and Agility are collaborating to offer next-generation hydrogen storage systems based on large-diameter high-pressure composite cylinders for medium- and heavy-duty vehicles.

Transit Buses

Agility's primary Transit Bus markets are in North America and Europe. Both markets continued on an upward trend during 2018. There has been steady growth in these markets for several years due to an increased focus on environmentally-friendly public transportation. Continued growth is expected in the overall global transit bus market.

In the beginning of 2019, the EU reached a provisional agreement on the Clean Vehicle Directive aiming at a reduction of overall transport emissions. The reform sets out minimum procurement targets for clean light-duty vehicles, trucks and buses for 2025 and 2030.

Refuse Trucks

The strong momentum within the North American Refuse Truck market continued during the year. Key refuse truck fleets have furthered their commitment and investment in natural gas vehicles and are benefiting from their ability to produce and utilize landfill biogas.

Propane and natural gas powertrain

The company offers one-stop-shop natural gas and propane integration solutions for medium-duty vehicles, including powertrain, fuel storage, and vehicle integration and installation. In 2018, Agility secured U.S. Environmental Protection Agency (EPA) approval for its first propane engine as well as its first low-NOx natural fuel system for a medium-duty engine. The business unit continues to execute its growth plan, with a greater effect coming in the second half of 2019.

Electric and hybrid commercial vehicles

In 2018, Agility announced its intention to provide modular high-performance battery packs for electric and hybrid electric commercial vehicles. Agility's electric and hybrid vehicle systems have several active programs in process and expects to realize its first commercial revenues in 2019.

COMPETITION

Agility Fuel Solutions is the global market leader for CNG and hydrogen fuel systems and Type 4 CNG cylinders in the medium- and heavy-duty truck and transit bus segments. Agility is establishing its position in the North American propane and natural gas fuel systems market as well as the electric and hybrid vehicle battery pack market.

Agility competes with CNG cylinder manufacturers globally, with smaller CNG system integrators in North America, South America and Asia, and with medium-duty engine fuel system vendors, electric vehicle systems suppliers, and propane dispenser manufacturers in North America.

OUTLOOK

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

1) Source: NGVAmerica

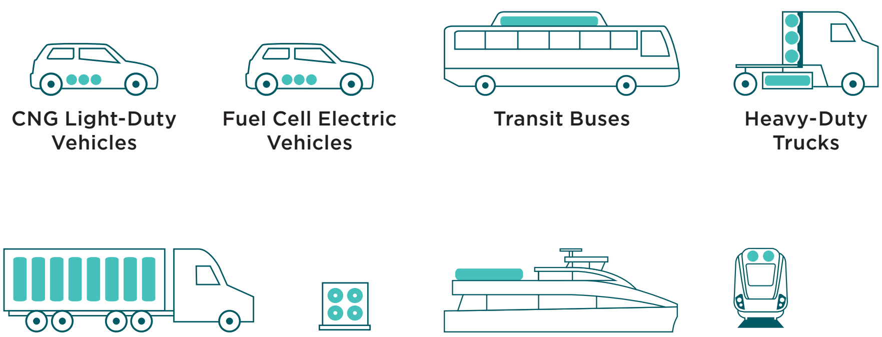
HEXAGON PURUS

ENABLING ZERO-EMISSION MOBILITY SOLUTIONS

Hexagon Purus is the world leading supplier of lightweight composite high-pressure tanks and systems for storage and distribution of hydrogen, natural gas and biogas. Its solutions serve a wide range of mobility and storage applications, enabling customers to reduce their carbon footprint and increase their competitive edge.

PRODUCT AREAS

HYDROGEN APPLICATIONS & CNG LIGHT-DUTY VEHICLES



EMPLOYEES*

195

FACILITIES

GERMANY, USA, NORWAY

* Direct and indirect support

To focus our pursuit of the growing market opportunities for renewable fuel solutions, Hexagon has organized its Hydrogen activities and CNG Light-Duty Vehicles activities into a dedicated single business segment. This segment is now named Hexagon Purus.

The global transition to zero-emission energy for the mobility sector is accelerating with strong support from both public and private players. Hexagon maintains a leading position within Hydrogen and CNG mobility, and substantial organizational investments are being made to further develop this position.

OPERATING RESULTS

The Hexagon Purus segment generated NOK 293.4 (347.6) million in revenue and made an operating profit (EBIT) of NOK -90.6 (-7.0) million in 2018. NOK 193.3 million of the revenue was generated from the CNG Light-Duty Vehicles business and NOK 100.1 million from the Hydrogen business. The CNG LDV business was primarily attributed to deliveries to Volkswagen Group, while Hydrogen revenues were mainly derived from development projects.

Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS IN 2018

- Executed the re-organization of the new reporting structure
- Joined the Hydrogen Council
- Received two contracts from leading OEMs to supply hydrogen tanks for serial production of fuel cell electric vehicles (FCEVs). Total projected value ~NOK 1.8 billion
- Selected to supply hydrogen tanks for the first hydrogen fuel cell marine vessel in the US
- Positive macro sentiment for CNG Light-Duty Vehicles in Europe
- The new WLTP testing rules caused delays for OEMs in the second half of the year
- Awarded an order for hydrogen tanks from New Flyer for 25 hydrogen fuel cell transit buses
- Delivered its first hydrogen tanks assembly to a hydrogen refuelling station (HRS) in the Netherlands
- Received U.S. DOT (Department of Transportation) special permit for ultra high-pressure vessel hydrogen transport systems.

OBJECTIVES ACHIEVED IN 2018

- Expanded our leading position in the European CNG LDV market
- Invested significantly in expanding hydrogen-related businesses
- Commenced serial hydrogen tank delivery to first FCEV OEM program in Europe
- Executed existing hydrogen FCEV OEM development projects according to plan
- Initiated development of hydrogen distribution solutions.
- Increased operational efficiency.

OBJECTIVES FOR 2019–2020

- Invest significantly in production footprint and products for current contracts and to further expand hydrogen-related businesses
- Successfully execute existing hydrogen OEM projects and win additional hydrogen projects to expand its leading position
- Drive profitability by expanding and optimizing the automated CNG LDV production capacity to meet growing demand
- Launch hydrogen distribution systems technology to offer integrated solutions to customers
- Support marketing and conversion from diesel to CNG and biogas.

HYDROGEN – KEY TO THE ENERGY TRANSITION

The strong momentum towards global zero-emission economies stimulates demand for Hexagon's hydrogen mobility and storage solutions. Hexagon is well positioned across the hydrogen value chain with vehicle tanks for cars, trucks, buses, ground storage, transportation, marine, rail and backup power solutions.

Many opportunities are presenting themselves, especially prospects in the automotive, transportation and ground storage applications, which make this segment a significant growth area in the near term.

Fuel Cell Electric Vehicles (FCEVs)
A number of leading OEMs are introducing hydrogen fuel cell electric vehicles (FCEVs) as a long-term sustainable alternative to battery electric vehicles. Given its strong presence and experience in the natural gas vehicle (NGV) market, the FCEV market is a natural expansion for Hexagon.

In 2018, Hexagon received two large contracts from leading OEMs to supply hydrogen tanks for serial production of new fuel cell electric vehicle (FCEV) models. These selections further confirm Hexagon's leading position as a hydrogen tank developer for the FCEV industry and cements the value proposition and long-term potential for the hydrogen space. The total projected revenues for contracts are around NOK 1.8 billion. Serial production is scheduled to commence in 2020/2021.

In February 2019, Hexagon was selected by Audi AG to supply high-pressure tanks for a multi-year hydrogen tank development and small-serial production project. This is the fourth FCEV OEM nomination for the company.

Buses and Trucks
The hydrogen fuel cell electric truck and transit bus markets are developing at a rapid pace, signaling that hydrogen will play a vital role in the zero-emission mobility future. Hexagon sees strong interest in the company's solutions and is involved in a number of ongoing development projects in the sector.

Ground Storage
The growth of fuel cell vehicles drives the demand for hydrogen refueling stations (HRS), which will provide promising market opportunities for the company's Type 4 cylinders and systems. The fatigue-resistant life-cycling and safety properties of composite pressure cylinders make them more suitable for hydrogen storage than steel alternatives.

Gas Distribution
Demand for hydrogen distribution solutions is expected to grow strongly as a result of the demand for energy. Hexagon has served the industrial hydrogen gas market for several years. The market is steadily driven by conversion from Type 1 to lighter Type 4 cylinders. Hexagon sees strong market opportunities in the mobile hydrogen refueling market and growth from 2019 onwards is expected. The main markets are Europe and North America, however, the company also sees increasing interest from other markets.

In 2018, Hexagon received a special permit from the United States Department of Transportation (U.S. DOT) for ultra-high pressure transport.

Marine and Rail
Hexagon is at the forefront of developing hydrogen solutions for the marine and rail industry. These markets are perceived as emerging market opportunities for the company. Through its joint venture company, Hyon AS, Hexagon is involved in several projects focusing on opportunities in the maritime segments.

Backup Power
Hydrogen fuel cells are an efficient and emerging choice for low-emission, reliable backup power used for telecommunications and emergency services. Hexagon offers backup power solutions with lightweight hydrogen tanks that enhance system performance and payback.

COMPETITION

Hexagon's high-pressure Type 4 cylinders are at the forefront of hydrogen storage and fuel cell vehicle technology. Type 4 cylinders are widely accepted as the optimal solution for 700 bar hydrogen storage systems for many vehicle types. Global regulations require that new tank prototypes undergo stringent pressure, temperature and fatigue tests, regardless of size. The superior fatigue properties of the cylinders further enhance safety as they remain corrosion-free over their lifetime.

Among the competitors are the existing Type 3 and Type 4 CNG cylinder manufacturers, as well as a new class of competitors that have emerged, including automotive OEMs and Tier 1 suppliers. The strong market momentum is expected to attract more competitors.

OUTLOOK

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

CNG LIGHT-DUTY VEHICLES – STRONG GAS MOBILITY DRIVE

The continued strong gas mobility drive contributes to an increasing demand for Hexagon's lightweight cylinders for CNG light-duty vehicles. Hexagon's cylinders are the ideal fuel tanks for light-duty vehicles due to their light weight, safety, efficiency and durability.

The importance of CNG and biogas in addressing the environmental requirements is increasingly being recognized, especially in Europe. Gas mobility, the use of natural gas and biogas in mobility applications, is the fastest way to reduce CO2 emissions in the transportation sector due to existing infrastructure and available technology.

Major car manufacturers in Europe rely on Hexagon's lightweight technology since it offers longer range and reduces fuel consumption and CO2 emissions considerably, especially when the vehicle is powered by biogas.

MARKET

Hexagon's principal OEM customers are located in Europe, driven by strong demand in Germany, Italy, Spain and Sweden. Major players are ramping up for strong growth within this segment. There is also huge growth potential in countries outside Europe, where CNG will claim significant market share in gas producing countries.

The demand for natural gas-powered light-duty vehicles in Europe continues to grow and contributes to an increasing demand for the company's lightweight composite cylinders. This is supported by regulatory legislation and positive tax and incentive programs that favor lower emission fuel alternatives.

Through the consortium "CNG Mobility", the Volkswagen Group and leading German industrial players are aiming for one million CNG cars in Germany by 2025. In the same time frame, the number of CNG filling stations is projected to expand from the current level of around 860 to 2,000 stations.

The new Worldwide Harmonized Light Vehicles Test Procedure (WLTP), which was implemented on 1 September 2018, caused delays to OEMs' delivery schedules and affected Hexagon's business in the second half of 2018. Most CNG car models have been WLTP approved and the delay is expected to ease out by the first quarter of 2019.

By 2021, phased in from September 2020, EU legislation will set stricter CO2 emissions targets for new cars. Failing to meet the regulations when they come into effect will force OEMs to swiftly deploy low-carbon emission vehicles.

COMPETITIVE POSITION

Hexagon's cylinders are less than 30% of the weight of steel, which provides substantially lower operational expenses and greater range due to more fuel being transported. The superior fatigue properties of the cylinders further enhance safety as they remain corrosion-free over their lifetime.

Hexagon is the largest serial production supplier of CNG composite pressure tanks for the automotive industry. The company has developed a strong and competitive Tier 2 position with European car manufacturers for its Type 4 tanks in a niche market for CNG vehicles.

Currently, steel cylinders dominate the European light-duty vehicle market because of price. However, the introduction of WLTP focusing on reduced vehicle emissions and incentives, as well as vehicle taxes and duties on traditional vehicles, is creating an increasing demand for lighter light-duty vehicles. Steel cylinders are heavier and susceptible to corrosion, inducing major car manufacturers to consider non-corrosive composite cylinders. These outstanding product properties, combined with extensive systems knowledge, offer the company a growth potential in this competitive market.

OUTLOOK

The delivery delays related to the stringent emissions testing program WLTP is easing out, and deliveries for several CNG Light-Duty Vehicle models resumed in the fourth quarter of 2018. A steep ramp-up is expected in 2019.
The strong environmental focus is also driving the demand for natural gas and biogas powered vehicles.

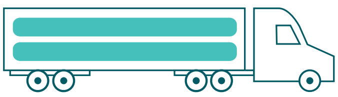
MOBILE PIPELINE

DELIVERING CLEANER ENERGY FUELS

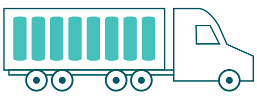
Hexagon's Mobile Pipeline® solutions enable safe distribution of CNG, biogas and industrial gases and are increasingly used to provide gas delivery where a pipeline does not exist. The company's product portfolio is the broadest in the market, comprised of the TITAN® and X-STORE® brands, representing the benchmark with regard to quality, weight, safety and payload for composite transport solutions.

PRODUCT AREAS

GAS DISTRIBUTION



TITAN®



X-STORE®

EMPLOYEES*

105

FACILITIES

GERMANY
USA

* Direct and indirect support

Hexagon is the global market leader in high-pressure composite storage cylinders and transportation modules for compressed natural gas (CNG) and biogas. The cylinders are lightweight and have a high capacity, making the systems ideal for customers that require large volumes of gas but who are not currently served by traditional pipeline infrastructure. With four times more capacity and weighing only 30% that of steel tubes, Hexagon's composite cylinders offer a more economical delivery solution, enabling a faster return on investment.

The outlook for Mobile Pipeline remains solid, as the strong environmental focus along with the affordability of natural gas continue to drive the demand for natural gas and biogas. In many instances, CNG remains the most economic fuel choice for industry and transportation. Customers with no possibility of pipeline infrastructure have proved that Mobile Pipeline provides a reliable and economical alternative to employ natural gas.

OPERATING RESULTS

The Mobile Pipeline area generated NOK 595.6 (429.6) million in operating income and made an operating profit (EBIT) of NOK 31.9 (-4.2) million in 2018. Sales volumes were primarily driven by high demand from North American customers and drove year-over-year organic growth of 39%.

Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS IN 2018

- Mobile Pipeline results driven by strong demand in North American markets
- Expanded into the maritime industry with the first delivery of CNG TITAN® tanks for capture of boil-off onboard an LNG gas supply vessel
- Launched TITAN®53 gas transport module, with the world's largest composite cylinders enabling the highest capacity gas transport module under 80,000 lbs GVW limit
- Received the first TITAN®53 order from XNG with a total value of MUSD 10.6 (approx. MNOK 86)
- Awarded an order for TITAN® modules from Certarus with a total value of MUSD 14.6 (around MNOK 121)
- Acquired Digital Wave Corporation, enabling unique, integrated testing capabilities for requalification of composite pressure cylinders
- Awarded an order for X-STORE® transport modules for the UK market from a leading industrial gas service company, with a total value of MEUR 6.8 (approx. MNOK 65)

OBJECTIVES ACHIEVED IN 2018

- Recovered volumes in the North American Mobile Pipeline market towards the end of the year
- Improved profitability
- Successful launch of TITAN®53 gas transport module
- Modules sold into first biogas and industrial gas applications.

OBJECTIVES FOR 2019–2020

- Re-establish Mobile Pipeline volumes in markets outside North America
- Develop incremental Mobile Pipeline demand through further development of financing solutions
- Optimize the Mobile Pipeline portfolio to meet market demands
- Examine additional technology enhancements to our core products and capabilities
- Strengthen our geographic market reach
- Continuously improve production efficiencies and reduce operational costs
- Seek and receive specific regulatory approvals for product and service solutions
- Provide Modal Acoustic Emission (MAE) requalification testing of modules up for regulatory requalification in the U.S.

MARKET

Improving macro conditions, particularly within virtual interconnect and oil & gas operations in North America, give momentum to the business area. Demand for Mobile Pipeline solutions is driven principally by the price advantage of natural gas compared to oil-derived fuels, and the environmental benefits of cleaner alternative fuels. The Mobile Pipeline turnover displays a non-linear trend. However, the company expects significant growth opportunities in this market. The project funnel is solid, but visibility on timelines to realization of these projects remains challenging.

North America is the largest market for Hexagon Mobile Pipeline, driven by high shale oil and gas activity, as well as strong interest from the industrial sector. The order intake outside North America is currently low, however, the prospect list is long and market opportunities remain strong.

In June 2018, Hexagon launched the TITAN®53 gas transport module, with the world's largest composite cylinder tanks. The newly developed cylinders and module optimize weight and capacity to meet the road limit in most of the U.S., further improving Hexagon's competitive position.

The global awareness of carbon and pollutant emissions stands as a significant driver of Mobile Pipeline in the near term. Hexagon's Mobile Pipeline modules are ideally designed to allow the development of renewable natural gas (RNG) production sources, which often do not have access to the natural gas pipeline system. RNG is recognized as having zero or even a negative carbon footprint, making it a key energy source for reducing GHG emissions.

New emerging uses for Mobile Pipeline are stimulating demand for the company's products as well. Hexagon sees promising customer interest in energy-intensive industries, oil & gas operations, power generation, industrial gases, virtual interconnect, biogas plants, flare gas capture & recovery and mobile refueling.

Energy-intensive industries
Large energy-intensive industrial users, currently fueled by diesel or fuel oil, are looking to switch fuels from higher priced and more carbon-intense fossil fuels, to natural gas. The conversion to natural gas is shown to reduce facilities' energy costs by around 30% with current energy prices and reduces their CO2 emissions by more than 20% over traditional fuel oil applications.

Oil & gas operations
CNG is a low-cost fuel alternative to diesel for high horsepower drilling rigs and hydraulic fracking pumps. Mobile Pipeline allows oil & gas operators to lower their fuel costs and carbon footprint without sacrificing operational capacity and provides a means to monetize these gases.

Power generation
Hexagon is supporting gas distributors' expansion into industrial, mining and agricultural power generation. Traditionally, mines and other industrial applications that do not have access to electrical power use diesel-fueled generators to provide electricity for their operations. As carbon footprint becomes an issue for many of these operations, using natural gas to power generators will reduce the carbon footprint of these facilities.

Virtual Interconnect
There is an increasing use of Hexagon's Mobile Pipeline products to connect stranded communities and facilities to the gas grid. Mobile Pipeline enables clean and affordable energy delivery to these underserved markets and eliminates the need for a costly pipeline network that is only needed during certain times of the year.

Biogas plants
As a carbon-negative solution, biogas capture and reintroduction to the gas stream provides the world's energy system with several advantages. Many agricultural facilities producing renewable natural gas (RNG) are not connected to the natural gas infrastructure system and are often located far from places that can receive the RNG output. Mobile Pipeline enables efficient delivery of RNG to pipeline connections.

Mobile refueling
Mobile Pipeline enables bus and truck fleet operators that do not have access to natural gas pipelines to build vehicle fleets that operate on natural gas. Mobile refueling for CNG station delivery is a relatively new market opportunity.

Industrial gases
The market for industrial gas distribution is currently dominated by heavier and less efficient Type 1 steel modules. Given the distances and quantities of helium that need to be moved, Hexagon's lightweight Type 4 Mobile Pipeline solutions are a more economically viable solution than Type 1 steel and also have a higher gas capacity.

Rail & Marine
Building on the recent deployment of CNG for a rail application in the U.S. and the deployment of a CNG module in conjunction with an LNG bunkering ship, Hexagon sees continued deployment of CNG in these markets. Fuel consumption for locomotives, marine ships and towboats are substantial and are currently dominated by petroleum-based fuels. The focus on emissions from these sources will result in a transition to cleaner fuels, including CNG.

Driving business development
Hexagon continues to focus on further development of products and business solutions, achieving the lowest cost per delivered gas volume unit, as well as value-added customer services to differentiate ourselves from the competition. Tailored financial solutions and after-market services are also made available where appropriate.

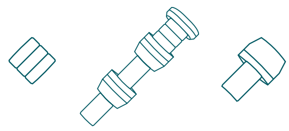
Competition
Hexagon remains the market leader in large-scale production of composite storage and distribution products for compressed energy gases. This position is supported by a strong track record of safety and market-leading products.

Mobile Pipeline products are unique because they enable greater load capacity at lower weights than competing solutions. In addition, the simple and robust design with fewer couplings and connections results in lower operating costs as well as industry-leading safety systems integrated into all designs.

The competition, mainly from traditional steel cylinder solutions is strong due to lower initial investment costs. There are also competitors delivering Type 4 cylinders and Type 3 cylinders. The improved market outlook for Mobile Pipeline, especially in North America and Europe, has attracted new competition and it is expected to see more competition in the years to come.

OUTLOOK

The demand for Mobile Pipeline® products is increasing, driven by growth in conversions from petroleum fuels to cleaner natural gas, particularly within energy intensive industries in North America. Also, the project pipeline continues to increase in the rest of the world. Hexagon Digital Wave expects sound demand as TITAN® modules come up for testing and requalification. Strategies will be developed to accelerate growth for this business for the coming years.



Specialized composite products

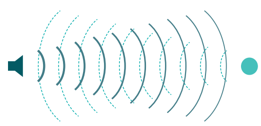
EMPLOYEES

20

HEXAGON MASTERWORKS

Hexagon MasterWorks is specialized in providing innovative design and manufacturing solutions for the composites industry.

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



Testing technology

EMPLOYEES

32

HEXAGON DIGITAL WAVE

Hexagon Digital Wave is a leading manufacturer of ultrasonic examination (UE) cylinder testing equipment, modal acoustic emission (MAE) testing equipment and a provider of associated inspection services.

Hexagon Digital Wave was acquired in the fourth quarter of 2018, securing fully integrated capabilities for testing and requalification of high-pressure cylinders. This technology has the potential to be commercialized for other pressure vessels as well as other applications and structures.

With applications worldwide, Hexagon Digital Wave serves government and private clients that employ pressure vessels within their products and systems. The industries that they serve are very diverse from self-contained breathing apparatus for firefighters, navy life raft inflation cylinders, satellite and launch vehicle propellant and pressurant systems in addition to Hexagon's automotive and gas distribution products. Capabilities include inspection of metallic and composite pressure vessels in low to ultra-high pressure applications.

Requalification testing program

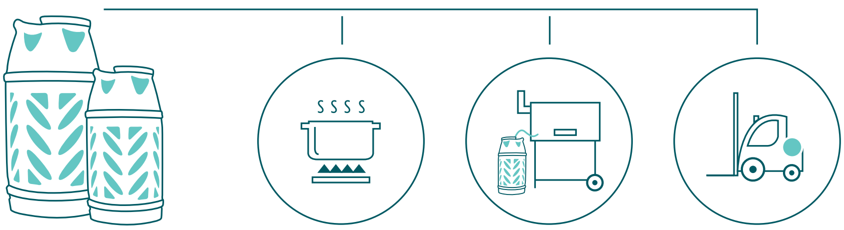
In 2017, Hexagon Mobile Pipeline launched its requalification testing program for Mobile Pipeline modules together with Digital Wave. The efficient requalification testing program, based on Modal Acoustic Emission (MAE) technology, minimizes the operators' out of service time while ensuring an approved, safe and reliable requalification method. Hexagon is a first-mover launching this unmatched service to the gas transportation market, expanding its equipment and service offerings to further its ability to meet market needs. Hexagon Digital Wave expects sound demand as TITAN® modules come up for testing and requalification during 2019.

HEXAGON RAGASCO

Enhanced manufacturing efficiency and product differentiation

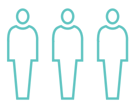
Hexagon is the leading manufacturer of low-pressure composite liquefied petroleum gas (LPG) cylinders, used mainly for leisure activities, household use and industrial applications. An increased focus on safety, ease of use, high corrosion resistance and design is strengthening demand for composite LPG cylinders globally. A long-term customer-oriented approach has increased market penetration, improved capacity utilization and enabled expansion into new markets.

PRODUCT AREAS



Leisure activities, household use and industrial applications

EMPLOYEES



140

FACILITY

NORWAY

Hexagon Ragasco is the world's leading manufacturer of composite LPG cylinders. A pioneer in the industry, it has sold more than 15 million cylinders worldwide in the last 18 years, including 1.7 million in 2018. The unit started operations in 2000 and has since developed a customer base composed mainly of LPG distributors in over 80 countries. Production is carried out in modern, highly automated facilities located in Raufoss, Norway. The company continues to build partnerships in new markets to help propane and butane marketers increase customer loyalty without compromising on safety.

OPERATING RESULTS

Total revenue for the LPG segment was NOK 644.7 (654.3) million and made an operating profit (EBIT) of NOK 108.6 (125.7) in 2018. The Hexagon Ragasco business segment had a strong first half-year where deliveries were primarily to core markets in Europe and the Middle East. The reduction in the second half of the year was due to product/market mix. The continued high volumes are attributed to greater flexibility within the product offering and increased market activities.

Read more about the financial results in the Board of Directors' Report.

KEY DEVELOPMENTS AND IMPORTANT EVENTS IN 2018

- Celebrated 15 million cylinders sold worldwide
- Entered new US markets; California, Florida and Nebraska
- Large-scale commercial roll-out of the LPG cylinders in Bangladesh after an introduction period in 2017
- Continued expansion into new markets in Africa and Eastern Europe
- NOK 75 million investment program (2017-2019) for further product differentiation completed on time and on budget in January 2019
- Achieved high capacity utilization during the year.

OBJECTIVES ACHIEVED IN 2018

- Achieved high capacity utilization for the second half of the year to offset seasonally low volumes
- Leveraged new product technology to enhance increased customer value
- Finalized investment program for further product differentiation and enhanced productivity.

Composite LPG cylinders deliver clear advantages over steel alternatives

- Significantly lower weight
- No corrosion
- Translucency
- Increased safety
- User-friendliness

OBJECTIVES FOR 2019-2020

- Achieve continued recurring sales growth
- Increase sales and capacity utilization for the second half of 2019
- Leverage new technology to enhance production and increase customer value
- Improve productivity and manufacturing flexibility
- Increase market penetration outside Europe.

MARKET

Hexagon Ragasco's customers are primarily leading national and international LPG distributors. These distributors manage large quantities of cylinders through their own exchange operations or through dealers.

The company has focused on developing the value proposition for LPG marketers and distributors. The composite LPG cylinders give clear advantages in strengthening customer branding and design options to increase market share. Furthermore, there are significant benefits related to safety and opportunities in reducing maintenance and logistics costs.

The first half of the year is traditionally strong in its core European markets. Large orders from existing customers outside Europe have allowed for a stronger year-over-year performance in the second half of the year, which traditionally has seasonally low sales volume quarters.

Europe
Sales to Europe were solid during 2018 with robust recurring volumes from European customers. The company's most important markets are European domestic and leisure customers, and these are mostly characterized by increased seasonal demand and sales volumes in the first half of the year. In France, bottled LPG is used year-round for cooking and heating, resulting in strong demand and consistent sales volumes.

Markets outside Europe
Hexagon Ragasco has maintained focus on several of the markets outside Europe, to secure growth and improve capacity utilization in the seasonally slower second half of year. Increasing market penetration in these regions is a priority going forward.

Middle East and Africa
In the first half of the year, Hexagon Ragasco delivered LPG cylinders to customers in the Middle East that were secured towards the end of 2017. The region continues to invest in lightweight composite cylinders, making domestic use of LPG safer and more user-friendly. The composite cylinders were introduced to Palestine in 2018.

The company has received several smaller repeat orders from African markets during 2018 and continues receiving introductory orders from new customers.

North America
During 2018, Hexagon Ragasco focused on selected segments of the North American market, specifically businesses specializing in cylinder exchange for propane BBQs. The LPG cylinders were introduced in California, Florida and Nebraska during the year. So far, the company has yet to achieve any notable sales volumes in this market.

Asia Pacific
Bangladesh is the fastest growing market in the region for LPG, especially bottled LPG for domestic use. With a premium product offering considerable advantages over steel cylinders, Hexagon Ragasco is confident that the composite LPG cylinders will make domestic use of LPG in Bangladesh safer and more user-friendly. After a successful launch and test period of the LPG cylinders in 2017, the customer started to roll out the cylinders on a larger scale from the end of 2018.

The company has received smaller repeat orders from other existing customers in the region during 2018.

COMPETITIVE POSITION
Currently, steel cylinders (Type 1) dominate markets outside of Europe due to price. Although they are cheaper, steel products are heavier and susceptible to corrosion. This affects the safety and useful life of the steel cylinders.

Hexagon's composite LPG cylinders are resistant to BLEVE (Boiling Liquid Expanding Vapor Explosion) when engulfed in fire. Hexagon Ragasco's lightweight cylinders are less costly to transport, and the translucency and superior design make the composite LPG cylinders easier to monitor and use. The company's cylinders can withstand a burst pressure that is twice as high as their steel counterparts. The superior user-friendliness and safety features of the products are the LPG composite cylinders' competitive advantages in these markets.

In 2018, Hexagon Ragasco solidified its position as the leading global supplier of composite LPG cylinders. The company's position was strengthened relative to both steel and other composite cylinder alternatives.

There are other composite cylinder alternatives in most markets and the company expects that competition will gradually increase over time.

APPROVALS
Hexagon Ragasco's cylinders have been approved and sold in more than 80 countries globally.

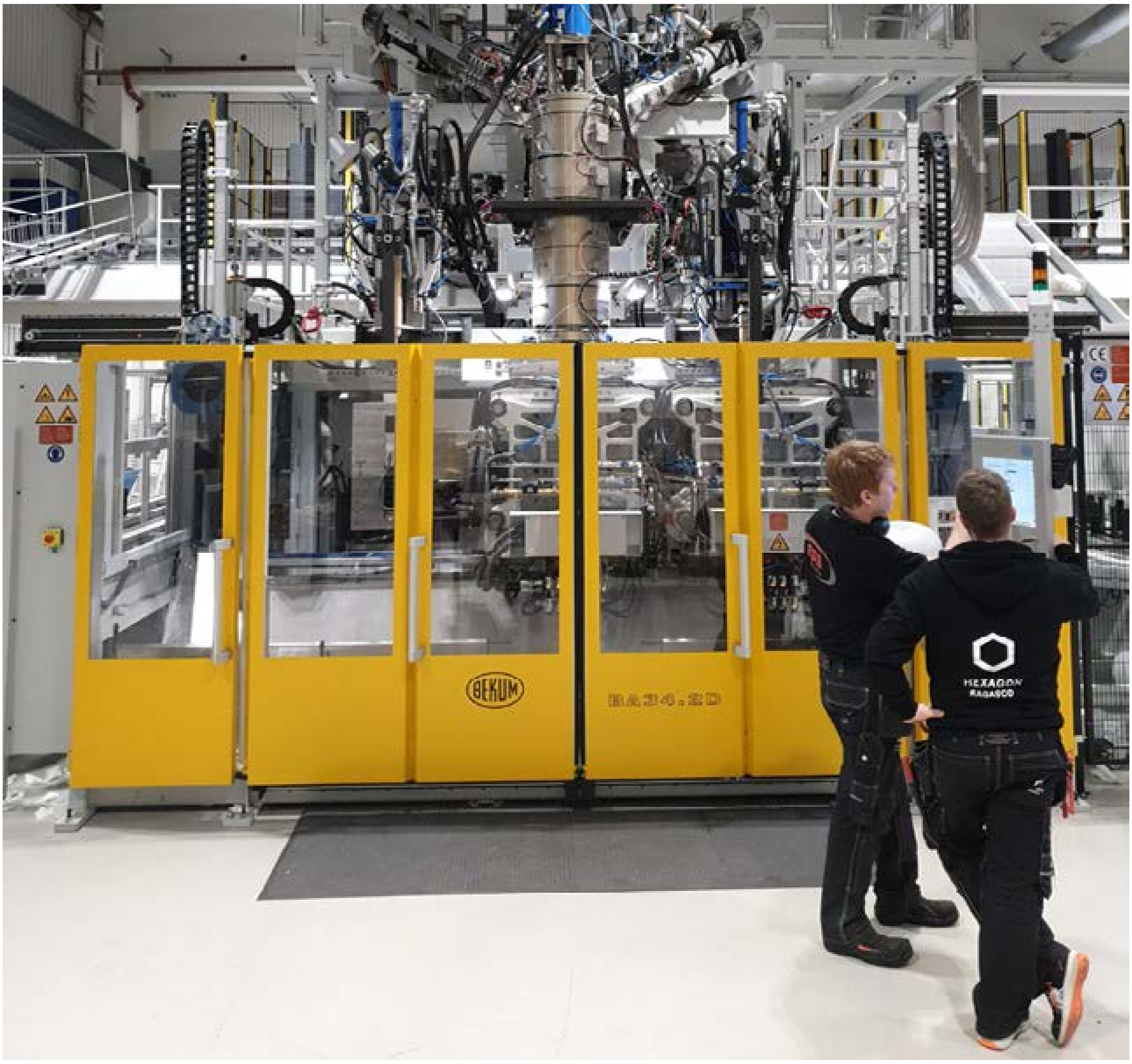
OUTLOOK
The outlook for composite LPG cylinders is promising. In established markets, Hexagon Ragasco is acquiring market share from steel cylinders. Outside Europe, the company expects demand to increase in the medium and long-term. Increasing wealth in developing countries should generate demand for high-quality products. In particular, increased focus on health, safety and the environmental impact of traditional cooking fuels is expected to increase domestic demand for LPG.


HYSTER
HYSTER 5.0
FORTENS

RESEARCH & DEVELOPMENT

High productivity ensuring efficient and cost-effective operations

Product and process innovation, along with highly automated and efficient production, are core competitive strengths underlying Hexagon's global leadership. Differentiation through innovation is essential to growing market share and contribution margins. The Group works closely with customers and suppliers to excel in these areas.



The Group works actively on innovative solutions and improvements like product standardization, which contributes to lower production costs and operating benefits for its customers. Hexagon strives to cultivate a strong relationship between product design, development, material selection and manufacturing processes to ensure optimal, cost-effective solutions. The Group remains the market leader in large-scale production of composite storage and distribution products for compressed energy gases. This position is supported by a strong track record of safety, market-leading products and new developments in enhanced transport efficiency. Hexagon is investing in technology and process innovation and dedicates substantial resources towards this.

KEY DEVELOPMENTS IN 2018

- Overall improvement in productivity and flexibility
- Launched TITAN®53 gas transport module, with the world's largest composite cylinder tanks
- Focus on three key OEM FCEVs development contracts
- Received U.S. DOT (Department of Transportation) special permit for high-pressure vessel hydrogen transportation system
- The two Alstom iLINT prototype hydrogen trains started public transportation
- Launched Global Production System to continuously improve the value streams in the Group
- Professionalized its production value stream by hiring expertise from the automotive industry.

Center of Excellence (COE)

A research & development (R&D) center of excellence (COE) was established in Lincoln in 2016, utilizing a virtual organization across the entire Group to enable the effective prioritization of R&D initiatives. The COE is focused on improvement initiatives that positively impact Hexagon's competitive position. The R&D team continuously evaluates new innovative materials, design and processing, and analysis techniques. By utilizing virtual capabilities, Hexagon has been successful in the design, development and subsequent production of various projects coordinating resources in different locations. This allows work to flow where expertise and capacity exist.

Global Production System

In 2018, Hexagon launched its new Global Production System with the aim to continuously improve the value streams (material and information flow) at all production sites and enhance the exchange of good practice within the Group. Implementation of global standards will further strengthen Hexagon's operational excellence at all its production facilities.

Productivity and flexibility were improved at all sites during the year. The global production sites have quality management systems meeting the business requirements of IATF16949 or ISO9001.

Hexagon Purus

Capacity utilization in Kassel, Germany, was high during the first half of 2018. However, the second half of the year was severely affected by the implementation of the new Worldwide Harmonized Light Vehicles Test Procedure (WLTP) causing delays in OEMs' delivery schedules. The organization has focused on increasing efficiencies by streamlining all production steps in order to be prepared for increased market demand. A future value stream has been designed to be implemented in 2019.

Hexagon Mobile Pipeline

The new TITAN®53 gas transport module, with the largest composite cylinder tanks in the world, was launched successfully in Lincoln. The Mobile Pipeline market is project based as well as cyclical and the operations have been optimized to reflect the lumpy demands.

Hexagon Ragasco

Production stability and volumes were satisfactory during 2018. A stable volume enabled high capacity utilization during the first half of the year. The capacity utilization during the second half of the year, which traditionally has been seasonally low, was also high.

The investment activities at the production facility were completed on schedule and on budget in January 2019. These investments in processes and technologies will further enhance manufacturing efficiency and product differentiation, as well as provide more capacity. The company expects fully ramped up run rate from the second quarter of 2019. Hexagon Ragasco is continuing to invest in processes and technologies that can further enhance manufacturing efficiency and product differentiation.

Agility Fuel Solutions

Agility Fuel Solutions' manufacturing and assembly facilities were facing increasing customer demands during the year. As a result, significant effort was expended to improve productivity and output to meet the increased demand. Additionally, optimization measures towards more robust processes were implemented showing results via increased first pass yield, lower quality costs and improved product reliability.

Hexagon MasterWorks
The capacity at Hexagon MasterWorks was also increased by ramping up a new winding machine providing more flexibility and options for optimized production flow for smaller volumes.

Hexagon Digital Wave
The acquisition of Hexagon Digital Wave has provided Hexagon with yet another facility within the portfolio. The Digital Wave facility is unlike any of the Group's other production facilities as it focuses on equipment manufacturing (Ultrasonic Emissions equipment) and in-house pressure testing (Modal Acoustic Emissions). Enhancements to the production facility will be a focus of 2019.

STANDARDS
Hexagon is a world leader when it comes to supporting the regulations, codes and standards by which our products are qualified. The Group expends significant manpower to ensure safety is the driver in these requirements. Hexagon is currently supporting over 25 different standards and has leadership positions in many of these important standards.

HEXAGON RAGASCO

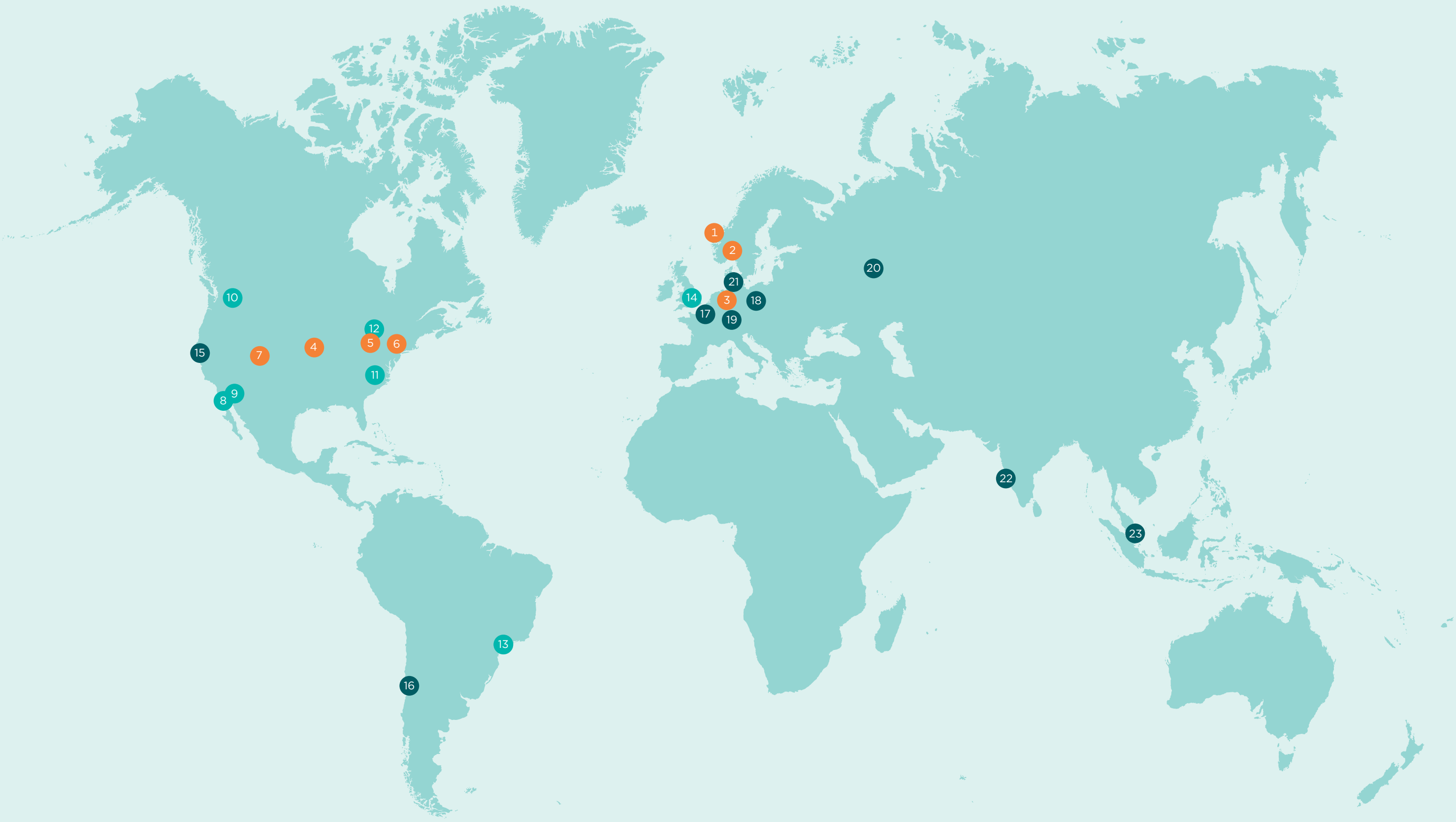
Enhanced manufacturing efficiency and product differentiation

Production and product development are fully integrated at the company's plant in Raufoss, Norway. This is a prerequisite for cost efficiency in its highly automated production system, which requires only nine operators for each production shift. In addition to meeting customer requirements, development activities focus on continued improvement of products and production processes. Hexagon Ragasco operates "24/7" to meet customer demand.

Continuous improvements are essential to remain competitive in the global market. Over a period of 18 years, Hexagon Ragasco has reduced the cycle time per composite LPG cylinder from 74 seconds to 11.5 seconds. As a result of production investments implemented in 2018, the cycle time is expected to be reduced from 11.5 to 10 seconds.

THE HEXAGON COMPOSITES GROUP

31 DECEMBER 2018 920



HEXAGON ADMINISTRATION AND PRODUCTION SITES

1. **Aalesund, Norway**
   Headquarters
2. **Raufoss, Norway**
   LPG Cylinders
   Light-Duty Vehicles
3. **Kassel, Germany**
   Hydrogen
   Light-Duty Vehicles
   Mobile Pipeline
4. **Lincoln (NE), U.S.**
   Hydrogen
   Mobile Pipeline
5. **Heath (OH), U.S.**
   LPG Cylinders distribution
6. **Taneytown (MD), U.S.**
   Hexagon MasterWorks
7. **Denver (CO), U.S.**
   Hexagon Digital Wave

AGILITY FUEL SOLUTIONS

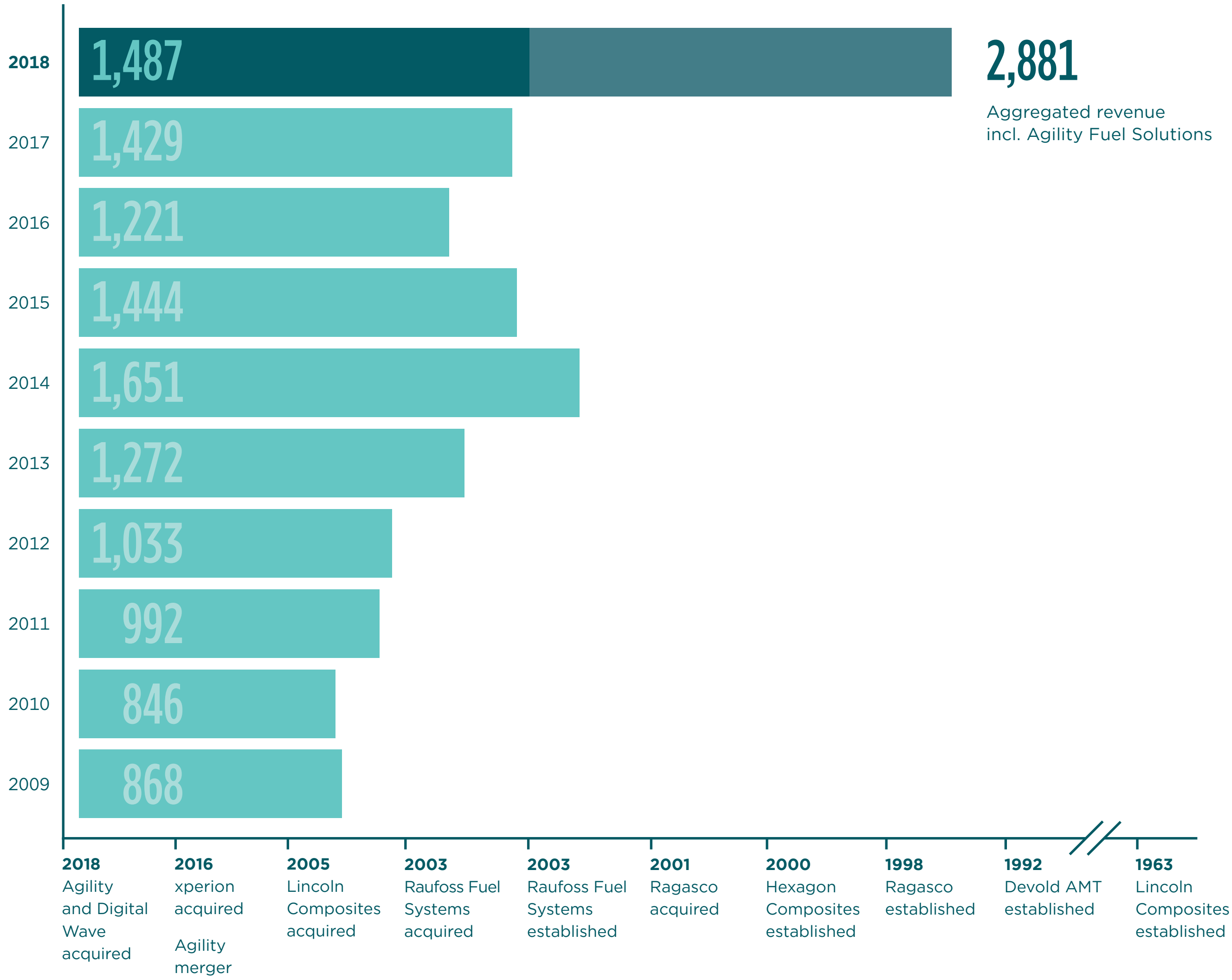
2. **Raufoss, Norway**
   Systems production
4. **Lincoln (NE), U.S.**
   Cylinders production
8. **Costa Mesa (CA), U.S.**
   Headquarters
9. **Fontana (CA), U.S.**
   Systems production
10. **Kelowna (BC), Canada**
    Engineering,
    test and validation
11. **Salisbury (NC), U.S.**
    Systems production
12. **Wixom (MI), U.S.**
    Powertrain systems
    Propane dispenser
13. **Sao Paolo, Brazil**
    Sales resources
14. **London, United Kingdom**
    Sales representative

HEXAGON SALES OFFICES AND REPRESENTATIVES

15. **Corona (CA), U.S.**
    Sales representative
16. **Santiago, Chile**
    Sales representative
17. **Paris, France**
    Sales representative
18. **Wroclaw, Poland**
    Sales representative
19. **Klagenfurt, Austria**
    Sales representative
20. **Nizhny Novgorod, Russia**
    Sales office
21. **Copenhagen, Denmark**
    Sales representative
22. **Bangalore, India**
    Marketing office
23. **Singapore**
    Sales office

HISTORY ROOTED IN INNOVATION AND CHANGE

REVENUE
MNOK



1999
Flakk Group became the largest owner of publicly listed Norwegian Applied Technology ASA of which Comrod (composite antennae) was a central member. The Flakk Group was already the largest owner of Devold AMT AS, a world leader in composite reinforcements and saw the opportunities for growth in the composite industry.

2000
Norwegian Applied Technology ASA was merged with Devold AMT AS. The Group changed its name to Hexagon Composites, and the headquarters moved from Stavanger in Norway to Aalesund, Norway. The aim was to achieve a listed group which had the strength to make further acquisitions of industrial companies with composites expertise and global potential within niche markets.

2001
Hexagon acquired Ragasco, a leading manufacturer of composite LPG cylinders based in Raufoss, Norway. Enviromech (USA) was founded as a supplier of fuel storage solutions for natural gas and hydrogen.

2003
The Group acquired Raufoss Fuel Systems from Raufoss ASA, a leading supplier of high-pressure cylinders for gas-powered buses with a market focus in Europe.

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

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

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

2009
A new facility with two production lines for high-pressure cylinders opened in Nebraska, USA.

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

2011
FAB industries and Enviromech merged and formed Agility Fuel Systems, becoming a leading supplier of alternative fuel systems for heavy-duty trucks and buses.

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

2013
Hexagon Composites performed a re-branding and implemented a uniform profile throughout the Group.

2014
Hexagon Devold was sold to Saertex GmbH & Co. KG so the Group could focus on further development of the pressure cylinder business. A capacity expansion program in Nebraska was initiated. The company acquired MasterWorks in Maryland, USA, securing key technology and enhanced engineering capacity.

2015
Hexagon Raufoss restructured its operating model to achieve profitable operations. The company was operationally integrated with Hexagon Ragasco to take advantage of synergies.

2016
Mitsui & Co., Ltd. acquired 25.01% of Hexagon and a strategic alliance agreement was signed. The CNG Automotive Products Division was merged with Agility Fuel Systems, to create Agility Fuel Solutions (50% Hexagon owned). xperion Energy & Environment in Germany, one of the leading Type 4 cylinder manufacturers, was acquired.

2017
xperion was successfully integrated to the organization and the Group repositioned itself for further growth. Hyon AS was launched, a joint venture with NEL ASA and PowerCell Sweden AB, focused on integrated hydrogen projects.

2018
Signed agreement to acquire the remaining 50% shares in Agility Fuel Solutions. The transaction was closed on 4 January 2019. Hexagon acquired the leading testing technology company, Digital Wave. The Hydrogen and CNG Light-Duty Vehicle activities were organized into a new business area, Hexagon Purus.

MAKING SUSTAINABILITY OUR BUSINESS OPPORTUNITY

During 2018, Hexagon has focused on growing its business areas as well as completing the strategic acquisition of the remaining 50% share of Agility Fuel Solutions. The share price closed the year 11.1% below the closing price for 2017. Going forward, the company sees large growth opportunities materializing from the accelerating transition and focus on cleaner fuels. As such, the company expects to allocate direct resources and investments toward exploiting these prospects.

Hexagon Composites ASA is listed on the Oslo Stock Exchange (OSE:HEX). The share capital was NOK 16.7 (16.7) million at the end of 2018, divided into 166.6 (166.6) million shares with a nominal value of NOK 0.10. Hexagon has one class of shares. Please refer to the Corporate Governance section in this report for more information on the Group's policies and procedures relating to shareholders and shares.

As of 31 December 2018, the market value of the Group's shares was NOK 4,074 (4,458) million, based on a price per share of NOK 24.45 (NOK 27.50). The price per share depreciated by 11.1% during the year. The highest daily closing price during the year was NOK 27.85 and the lowest recorded closing price was NOK 19.84. By comparison, the Oslo Stock Exchange Industrial Index (OSE20GI) decreased by 4.9%, while the OBX Total Return Index (OBX) decreased by 1.8%. The Group remains well positioned for significant growth in both the medium- and long-term as a result of continued increasing demand for sustainable business opportunities, especially within natural gas, biogas and hydrogen.

Hexagon is listed on the Match Segment of the Oslo Stock Exchange. All shares are freely transferable. In 2018, 27.0 (15.9) million shares were traded with a turnover rate of 16.2% (9.5%) computed on the average number of shares outstanding.

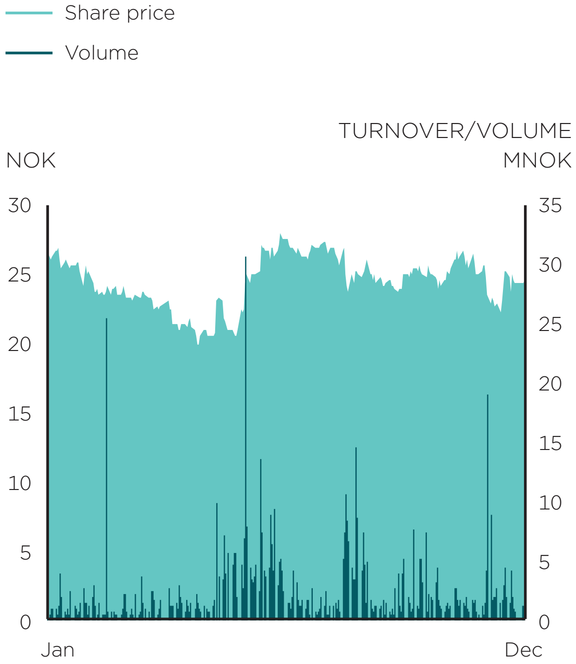
SHARE DISTRIBUTION AND MAJOR SHAREHOLDERS

The number of shareholders increased by 10.3% to 2,535 (2,298) in 2018. The number of foreign shareholders was 189 (197) representing 39.4% (40.9%) ownership in the Group. The majority of the foreign shareholders are from Japan, Luxembourg, the United Kingdom, Sweden and the USA. Hexagon's largest shareholder is Mitsui & Co., Ltd., with an ownership interest of 25.0% (25.0%).

The second largest shareholder is Flakk Composites AS, which, including related parties, controls 18.4% (18.4%) of the shares. Flakk Composites AS is a wholly owned subsidiary of Flakk Gruppen AS. Knut Flakk, who is Chairman of Hexagon, owns 98.7% of Flakk Gruppen AS.

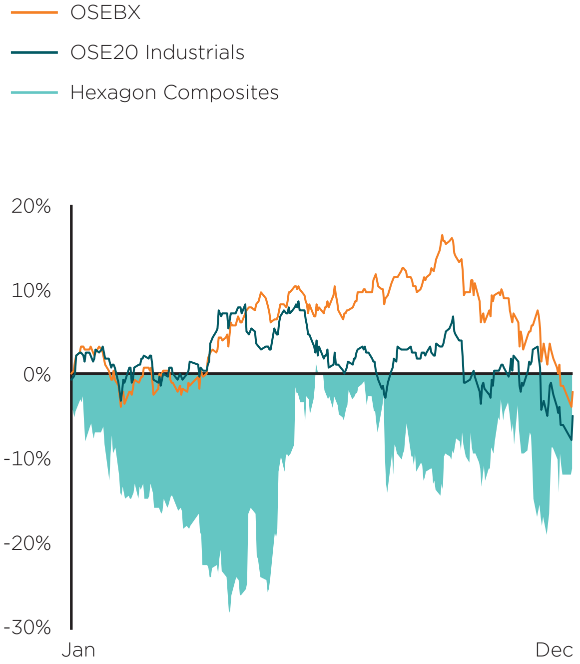
The 20 largest shareholders own 81.6% (80.1%) of the Group. Other shareholders are primarily private individuals, institutions and small- and medium-sized companies. Several employees including key management personnel of Hexagon hold shares and share options in the Group.

HEXAGON SHARE PRICE AND VOLUME IN 2018



Source: Oslo Stock Exchange

OSE PRICE TRENDS IN 2018



Source: Oslo Stock Exchange

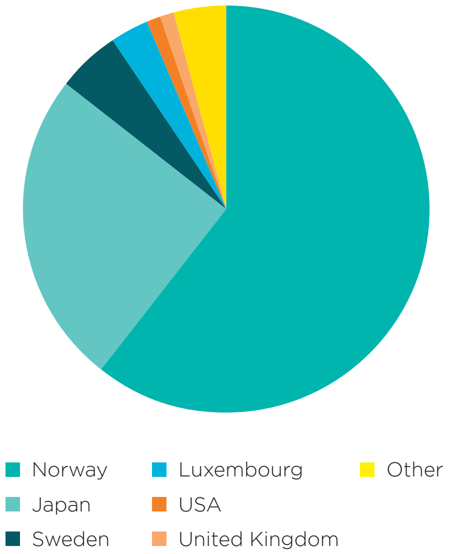
10 LARGEST SHAREHOLDERS AS OF 19 MARCH 2019

SHAREHOLDER	NUMBER OF SHARES	SHARE OF TOTAL	COUNTRY
Mitsui & Co., Ltd.	45 833 321	25.01 %	JPN
Flakk Composites AS	29 340 504	16.01 %	NOR
MP Pensjon PK	14 569 096	7.95 %	NOR
Bøckmann Holding AS	9 000 000	4.91 %	NOR
Odin Norge	7 375 901	4.02 %	NOR
Nødingen AS	5 884 242	3.21 %	NOR
Swedbank Robur Smabolagsfond	4 340 000	2.37 %	SWE
Skandinaviska Enskilda Banken AB	4 048 017	2.21 %	SWE
UBS AG, London Branch	3 853 366	2.10 %	GBR
Storebrand Norge	2 657 813	1.45 %	NOR
Total 10 largest shareholders	**126 902 260**	**69.24 %**	
Remaining	56 388 388		
Total number of shares	**183 290 648**		

A detailed overview of the largest shareholders at 31.12.2018 is disclosed in Note 17 in the Financial Statements.

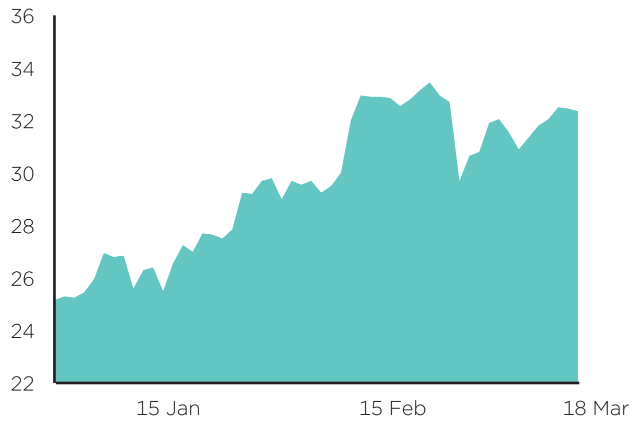
Shareholder Information

OWNERSHIP DISTRIBUTIONS OF SHARES IN 2018



HEX SHARE PRICE 2019 YTD

NOK

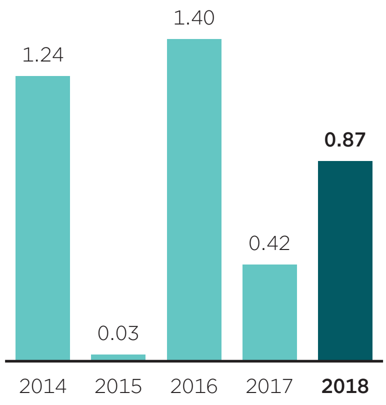


DIVIDEND POLICY

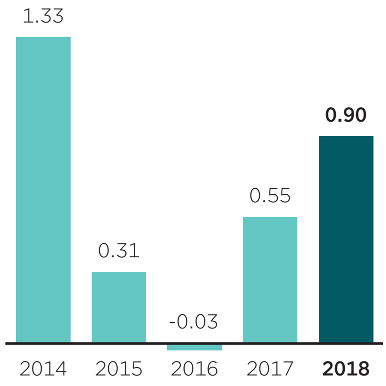
Hexagon is focusing on developing its business in high-growth markets and intends to make the investments necessary to realize its growth ambitions. The company's main objective is to provide competitive returns to shareholders primarily through increasing the intrinsic value of its business. Dividend payments are dependent on financial performance and excess cash after key investment requirements. For the year 2017, Hexagon paid a dividend of NOK 0.30 per share, amounting to NOK 49.6 million in total. Given Hexagon's numerous growth opportunities, the Board does not propose a dividend for 2018.

The General Meeting on 19 April 2018 granted the authority to the Board to buy back shares in the Group up to a combined nominal value of NOK 1.7 million, or 10% of the current issued share capital. This authority pertains to a buy-back of shares in connection with either: i.) acquisitions, mergers, demergers or other transfers of business, ii.) share equity programs for employees, iii.) subsequent deletion of shares. The General Meeting also approved an authorization to increase the share capital by a maximum of NOK 1.7 million, which amounts to 16.7 million shares or 10% of the existing share capital. These proxies are valid until the Group's Annual General Meeting in 2019.

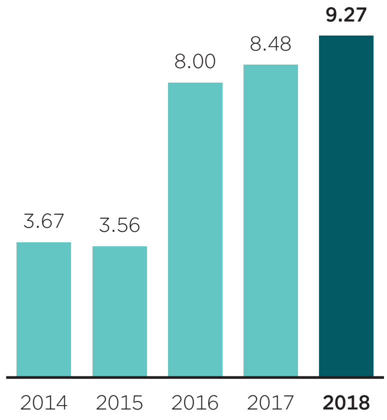
EARNINGS PER SHARE
NOK



CASH FLOW FROM OPERATIONS PER SHARE NOK



EQUITY PER SHARE
NOK



KEY FIGURES SHARES

	2018	2017	2016	2015	2014
Closing Price NOK	24.45	27.50	26.90	22.90	22.80
Assessment value Price NOK	24.80	26.95	26.70	22.45	23.60
High NOK	27.85	29.70	31.40	27.00	39.10
Low NOK	19.84	24.30	17.40	12.60	18.90
Total return	-9.9 %	2.2 %	17.5 %	3.0 %	-28.8 %
Market capitalization (NOK 1 000)	4 074 051	4 582 266	4 482 290	3 052 452	3 039 123
Turnover by value (NOK 1 000)	659 565	425 217	1 221 416	2 015 203	4 172 911
Turnover by no. of shares (1 000)	26 957	15 852	51 607	98 372	140 065
Number of transactions	45 173	32 368	50 684	89 285	146 914
Number of days traded	249	251	253	251	250
Turnover rate	16.2 %	9.5 %	32.8 %	73.8 %	105.1 %
Beta	0.51	0.49	0.75	1.80	1.02
P/E	28.80	65.96	21.52	668.98	18.46
P/B [1)]	2.65	3.24	3.36	6.49	6.24
Earnings per share	0.86	0.42	1.40	0.03	1.24
Cash flow from operations per share	0.94	0.55	-0.03	0.31	1.33
Dividend per share [2)]	0.00	0.30	0.00	0.00	0.62
Equity per share	9.24	8.48	8.00	3.56	3.67
Share capital (NOK 1 000)	16 663	16 663	16 663	13 329	13 329
Closing number of shares (1 000)	166 627	166 627	166 627	133 295	133 295
Number of shareholders, Norwegian	2 346	2 101	2 208	2 663	2 558
Number of shareholders, foreign	189	197	182	186	197
Ownership share, foreign	39.4 %	40.9 %	39.8 %	16.6 %	17.4 %

1) Exclusive goodwill.
2) The Board proposes to the Annual General Meeting on 24 April 2019 that no dividend will be payed.

CORPORATE SOCIAL RESPONSIBILITY

Hexagon Composites conducts its business in an economically, socially and environmentally responsible manner. The Group focuses on reducing its impact on the environment and providing innovative products that enable its customers to do the same. Good working conditions for employees and strong relationships with the local communities where the Group operates are key objectives. Hexagon prioritizes ethical conduct within its organization and supply chain including anti-corruption, product safety and respect for human rights.

Social responsibility is an integral part of Hexagon's 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 internal communication and periodic 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.

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 the wholly-owned subsidiaries, Hexagon Lincoln and Hexagon Purus (Lincoln (NE), U.S.), Hexagon Purus (Kassel, Germany), Hexagon Ragasco and Hexagon Raufoss (Raufoss, Norway).

THE ENVIRONMENT

Innovation

The increased global focus on vehicle particulate matter (PM), NOx emissions and greenhouse gases (GHG) encourages customers and investments towards adopting natural gas, biogas and hydrogen.

Overall, compressed natural gas is one of the cleanest burning fuels available today, producing 20–30% less greenhouse gas than conventional fuels. Biogas is a commercially viable fuel, supported by local and regional jurisdictions.

Biogas is the most emission-friendly fuel available today. Biogas can rely on existing natural gas infrastructure and is based on proven technology. As a carbon-negative solution, biogas provides the world's energy system with several advantages: it contributes to reaching climate targets through reduced CO_2 emissions and can improve air quality by being used as a vehicular fuel displacing petrol. Furthermore, it advances energy security as it can be produced locally using available biowaste.

Hydrogen is a clean and safe energy carrier that can be used as fuel for power in a wide range of applications and can be stored on a large scale. According to the Hydrogen Council, hydrogen could account for almost 20% of total final energy consumed by 2050. This would reduce annual CO_2 emissions by roughly 6 gigatons compared to today's levels and contribute roughly 20% of the abatement required to limit global warming to two degrees Celsius.

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. Hexagon believes that the lightweight, user-friendliness and enhanced safety features of its LPG cylinders are important attributes to facilitate such a transition.

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

Emissions
Emissions of Volatile Organic Compounds (VOC) at the Raufoss plant are well within permitted limits. Production of CNG cylinders for passenger cars is included in the emissions permit for Hexagon Ragasco. The company was certified to ISO14001 Environmental Standards in August 2017.

The 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 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.

Hexagon Lincoln currently holds permits for Hazardous Materials and Spray Paint from the City of Lincoln 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. The company reports regularly on the exposure of employees to several materials and chemicals. Emissions from 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 samplings which are found to be in accordance with federally regulated permissible exposure limits [3]. Air quality was last tested on 28 November 2018, with good results.

Hexagon Purus (previously Hexagon xperion) in Germany complies with the national environmental regulations for emissions (TA Luft) in Germany. By using a low-pollutant resin system, the exhaust systems are outside the scope of the relevant approval criteria (BImSchG: Act to protect against harmful environmental effects caused by air pollution).

Recycling
Hexagon Purus' operations in Kassel have continuously reduced the scrap rate of the produced goods through to various process improvements. Since the end of 2017, Hexagon Purus has worked with a recycling company to reuse remaining glass and carbon fiber waste as filler material for concrete applications.

The packaging of raw materials has been significantly reduced. A recycling system for the packaging material of the finished goods is in operation with several customers. As a result of this improvement project, pallets and materials can be re-used several times.

Hexagon Ragasco works continually to reduce risk and negative impact on the environment. During 2018, Hexagon has continued with process improvements to reduce waste and scrap. Recycling of materials and reduction of garbage are included in all plans in the company, both with respect to daily handling and investments in machinery and new processes. Life Cycle Analysis for the cylinders related to the circular economy is an important topic on the company's agenda.

Over the last couple of years, Hexagon Ragasco has implemented several measures to reduce energy consumption in the production facility. Results show a relative reduction in energy consumption by more than 6% from 2016 to 2017, and the consumption has remained at the same level in 2018, with higher production volumes than in previous years.

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. The company recycles several potential waste materials and has introduced initiatives to improve material utilization in order to reduce waste output. Hexagon Lincoln recycled approximately 72.9 tons of materials in 2018.

PEOPLE
Working conditions
Innovation, ambition and expertise are critical success factors for Hexagon's business. The Group strives to create a safe and appealing work environment to attract competent, motivated people. Hexagon emphasizes involvement to empower individuals to influence their own work situation

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 Limit.

and believes 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, Hexagon promotes internal recruitment to provide motivation and advancement opportunities to existing employees.

Through the internal learning and development function "Hexagon University", Hexagon offers several different programs to the entire Group during the year. The aim is to continue to build and implement programs that are valuable for the development of the company's talent base.

Gender equality and non-discrimination
Hexagon believes that people with different approaches and experience contribute to an innovative and dynamic work environment. The Group encourages diversity in its hiring practices with a goal to hire men and women with different backgrounds and the expertise necessary to develop its business. Preferential treatment or discrimination in working conditions due to gender, religion or ethnic background is strictly prohibited. However, Hexagon has prioritized the recruitment of highly qualified women, notwithstanding the challenges the Group faces in connection with a traditionally male-dominated, industrial operating environment.

Percentage of women in Hexagon

SITE	2018	2017
USA	16 %	12 %
Germany	15 %	14 %
Norway (Hexagon Ragasco and Hexagon Raufoss)	19 %	19 %
Hexagon Composites ASA	30 %	22 %
Board of Directors	50 %	50 %

The changes in the percentages of female employees were largely due to active hiring and natural departures.

No instances of discrimination were recorded at Hexagon in 2018.

Health, safety and environment (HSE)
The Group's production sites are comprised of industrial processes that involve complex machinery and processes, rapidly moving parts and equipment, high heat, caustic chemicals and pressurized gas. Hexagon has established secure operating routines to manage these processes in a responsible manner and to ensure a safe and healthy work environment. The Group believes that this promotes efficiency and lower operating costs.

Hexagon has targeted zero work-related accidents or injuries that result in employee absence. All business areas have established organizations and routines related to industrial safety. As a result, Hexagon is working systematically to reduce the number of injuries and improve safety performance.

The Group continued to coordinate quarterly global HSE executive management reviews aimed at identifying and putting in place the needed focus for current and future HSE initiatives. In addition, a global HSE committee meets bi-weekly to address specific initiatives that will lead to lower injuries and illnesses across our global operations.

A shared performance metric that will be used as a leading indicator for reducing overall injuries and incidents was established for Hexagon Lincoln, Hexagon Raufoss and Hexagon Purus in 2018. The aim of this coordinated effort is to share information between the sites to identify "best practice". The Group also implemented several health and wellness initiatives during 2018 with the goal of improving the overall health of our people.

Hexagon Ragasco had one work-related injury that resulted in absence from work during 2018. The company has an annual HSE plan, including daily reporting in management meetings. The company's HSE profile is strong, with a well-functioning reporting system to identify incidents that could result in accidents or injuries. This system for reporting near misses was implemented in the rest of the Group in 2018.

Sickness absence

SEGMENT	2018	2017	TARGET 2019	INITIATIVES AND OBJECTIVES
Lincoln (USA)	1.4 %	1.4 %	1.5 %	Continued focus on wellness initiatives to keep absenteeism low.
Kassel (Germany)	5.7 %	5.1 %	<5.0 %	Targeted measures to reduce and prevent sickness absence; implementation of physical activities and guidance.
Raufoss (Norway)	5.6 %	3.3 %	<3.0 %	Targeted measures to reduce and prevent absence due to illness, guidance and facilitation for physical activity.

Hexagon Ragasco is an IA (Inclusive Workplace) registered company and conducted four dedicated IA meetings in 2018. The company has procedures for safety inspections focusing on risks related to chemicals, fire, electrical installations and noise, as well as on order and cleanliness. Twelve safety inspections were carried out in 2018. In general, the work environment and employee well-being are considered satisfactory.

All operators in Hexagon Raufoss are hired personnel from Hexagon Ragasco. Hexagon Raufoss follows Hexagon Ragasco's HSE plans and audits. No work-related accidents that resulted in absence from work were recorded at Hexagon Raufoss in 2018 and there were no instances of material damage.

In 2018, Hexagon Lincoln recorded one work-related injury that resulted in absence and five other recordable injuries. Three of those recordable injuries involved skin irritation related to the use of resin and carbon fiber in production. Hexagon Lincoln remains focused on improvements in the production process to enhance operational efficiency and reduce injuries. Hexagon Lincoln educates new production hires on good safety practices, prevention and recognition of skin irritations as well as other types of injuries. In addition to work-related injuries, 19 instances of material or property damage were reported in 2018.

Hexagon Purus in Kassel had eleven work-related injuries that resulted in absence in 2018. The company's HSE coordinator is working closely with human resources, operations and the external safety engineer on avoiding any injuries in the facility. During the year, the new near miss reporting system was introduced to identify and eliminate the causes of the incidents. A total of six near miss incidents were reported, and initiatives have been implemented to avoid future incidents. Enhanced occupational health care was implemented, and specific safety audits were introduced for the various work stations, with good results.

SOCIETY

Local community

In addition to providing employment opportunities, the Hexagon Group contributes to local communities by supporting non-profit organizations that focus on sports and education opportunities for children and youth in particular, as well as humanitarian aid. The Group also cooperates with various educational institutions to provide work experience for students.

Ethical conduct

Hexagon does not accept any form of corruption including bribery or extortion. Formal ethical requirements governing business practices were established and approved by the Board in 2009. These provide guidance for the employees and, indirectly, throughout the supply chain.

To strengthen awareness, training courses focused on combating corruption have been completed for Group management, including the managing directors of the subsidiaries, followed by implementation of guidelines and training of personnel. The focus of the training courses includes anti-corruption principles and procedures relating to the Group's operations and collaboration with suppliers, customers and other business partners.

Complying with regulations is part of Hexagon's way of conducting business and a condition for maintaining its leading position in the market. For this reason, the Group has created a compliance management system to support the organization in abiding by the applicable regulations.

PRODUCT SAFETY

Because the Group's products are used to transport and store highly flammable, pressurized gases, product safety is a fundamental requirement. All of Hexagon's products are tested and approved in accordance with established safety standards. Production and related processes are regularly monitored and controlled.

Hexagon participates and supports international standards with the primary purpose of ensuring product safety.

Hexagon Lincoln, Hexagon Raufoss, Hexagon Purus and Hexagon Ragasco are certified to ISO 9001.

SUPPLY CHAIN

Hexagon promotes corporate social responsibility (CSR) in its supply chain. The Group places a strong emphasis on encouraging its suppliers to act in accordance with its values and ethical guidelines.

Identifying and qualifying efficient and cost-effective suppliers is critical to improving the Group's competitive position. Hexagon works continuously to strengthen its supplier base to reduce cost, improve quality and minimize the risk of delays in the 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 2019.

HUMAN RIGHTS

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

BOARD OF DIRECTORS

KNUT FLAKK

Chairman

MSc (BI Norwegian Business School) and MBA (London Business School). 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: 31,053,554
Includes shares owned by related parties

KRISTINE LANDMARK

Deputy Chair

MSc (NHH, Norwegian School of Economics), Managing Director of Slettvoll Møbler. 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
Includes shares owned by related parties

KATSUNORI MORI

Board Member

Bachelor degree in Aeronautical Engineering (Kyoto University), President & CEO of Mitsui & Co. Plastics Ltd. Mori held various management positions in Mitsui & Co. within the fields of plastics, advanced composite materials and renewable energy related materials. He has been a member of the Board of Advanced Composites Products. and Sunwize Technologies.

Number of shares: 45,833,321
Shares owned by Mitsui & Co., represented in the board by Katsunori Mori

ELISABETH HEGGELUND TØRSTAD

Board Member

Cand. scient. (University of Oslo) and Business Administration (Norwegian School of Management). CEO Digital Solutions at DNV GL. Tørstad has more than fifteen years of experience from leadership positions in DNV GL. Tørstad has been, for the most part, on the Executive Board and Council in DNV GL since 2010. Independent board member.

Number of shares: 0

SVERRE NARVESEN

Board Member

Civil Engineer, has been Head of Norwegian Centres of Expertise, Raufoss Industrial Cluster for the last 12 years. Narvesen has 15 years' experience from management positions within the fields of Automotive and Defence at Raufoss ASA. He holds board positions in several industrial companies and has experience developing innovation companies. Independent board member.

Number of shares: 0

SUSANA QUINTANA-PLAZA

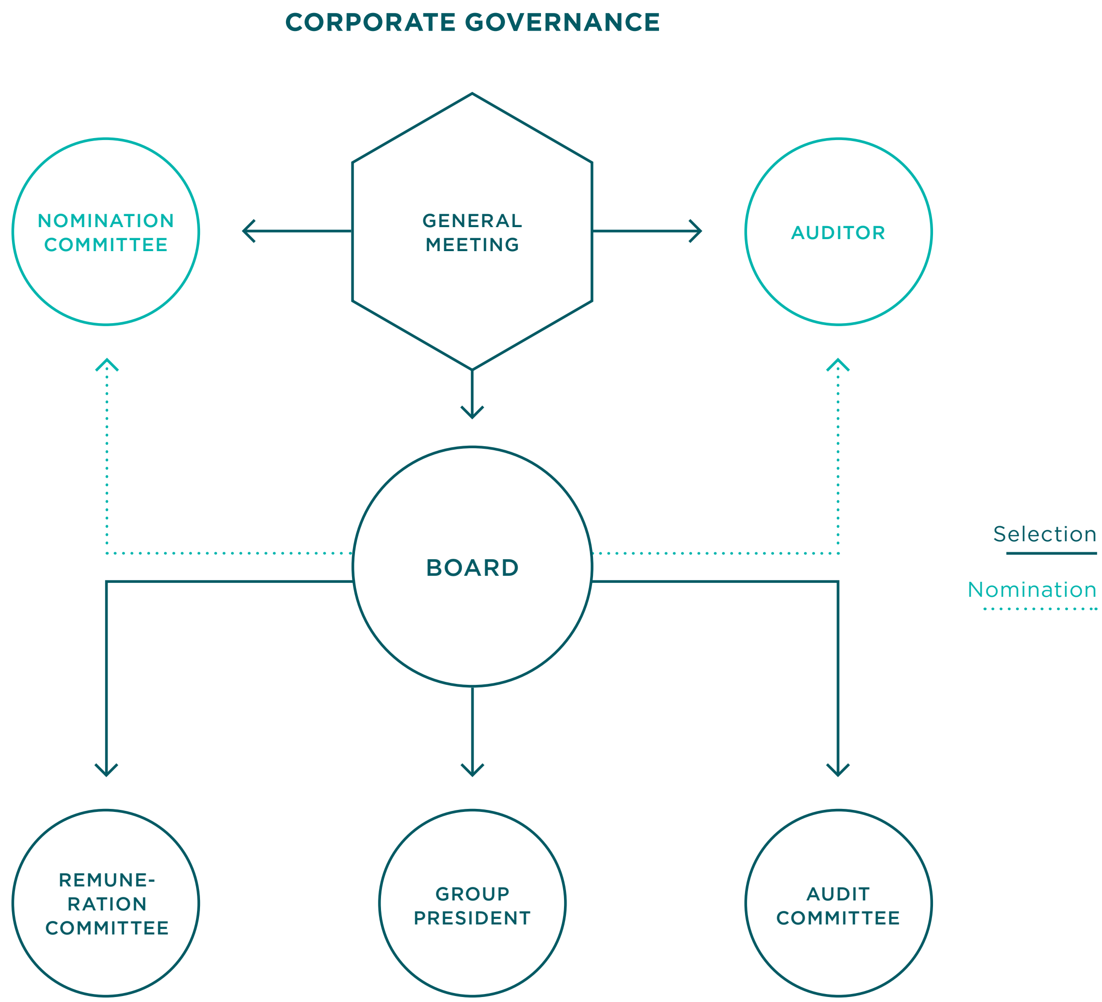
Board Member

MSc in Aeronautical and Astronautical Engineering (University of Washington) and MBA (Harvard Business School). until October 2018, partner of Siemens venture capital & private equity fund, Next47. Quintana-Plaza has substantial work experience within aerospace and renewable energy. Independent board member.

Number of shares: 0

The Board of Hexagon Composites from the left: Elisabeth Heggelund Tørstad, Katsunori Mori, Knut Flakk, Kristine Landmark, Sverre Narvesen and Susana Quintana-Plaza

CREATING VALUE FOR OUR STAKEHOLDERS



> *"Good corporate governance will contribute to the greatest possible value creation over time for all interest groups."*

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 executive 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 12 February 2019. 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 17 October 2018. Unless otherwise indicated in the text below, there are no deviations to the Norwegian Code of Practice for Corporate Governance.

Hexagon requires that all work and activities are performed in accordance with high ethical standards and that all employees and business partners refrain from corrupt practices. We operate within a framework of common values, including formal ethical requirements governing our business practices as approved by the Board. The Board believes that the organization is characterized by strong ethical standards and a high level of integrity.

2. NATURE OF BUSINESS

Hexagon develops and commercializes competitive, innovative products and solutions based on advanced composite technology. Our goal is to remain the international leader in selected niches.

The scope and objectives of our business are 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.

The company has established objectives, strategies and risk profiles for its activities, with a focus on value creation. These objectives will be subject to annual review.

Social responsibility is an integral part of Hexagon's 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.

3. COMPANY CAPITAL AND DIVIDENDS

Hexagon's capital structure 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 or 10% of current issued share capital.

Equity incentive 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 2017, Hexagon paid a dividend of NOK 0.30 per share. The Board does not propose a dividend for 2018.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Hexagon has one class of shares and our policy is to comply with the equal treatment principles of applicable law in capital transactions. In the event where circumstances require deviation from the main rule of equal treatment of shareholders, subsequent measures will be implemented to reduce the impact of such deviation, 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 are freely negotiable shares with full voting rights. No form of transfer or voting restrictions have 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. 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 2018, 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 currently 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 2018 the nomination committee was comprised of Bjørn Gjerde (Chairman), Leif Arne Langøy 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.

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 each year 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 such interests, the Chairman will recuse himself and the Deputy Chair will assume responsibility for the matter in question.

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 member, Sverre Narvesen and Deputy Chair, Kristine Landmark in 2018. The Board has a compensation committee which was comprised of the Board Chairman, Knut Flakk and Deputy Chair, Kristine Landmark. Knut Flakk is also the second largest shareholder of the company.

Attendance at Board meetings in 2018

NAME	POSITION	MEETINGS
Knut Flakk	Chairman	11/11
Kristine Landmark	Deputy Chair	8/11
Sverre Narvesen	Board Member	10/11
Katsunori Mori	Board Member	10/11
Elisabeth Tørstad	Board Member	9/11
Susana Quintana-Plaza	Board Member	7/7
Kathrine Duun Moen	former Board Member	3/3

10. RISK MANAGEMENT AND INTERNAL CONTROLS

Hexagon works systematically to identify and manage the specific risks facing its business. Risk management is executed by Group management and 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. The department reports 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 include considerations related to the company's stakeholders in value creation and 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 19 April 2018 the annual general meeting established the Board fees for 2017 in connection with the approval of the annual accounts.

POSITION	FEES
Chairman	NOK 500 000 (700 000)
Deputy Chair	NOK 230 000 (200 000)
Other Board Members	NOK 180 000 (150 000)
Deputy Board Member	NOK 25 000 per meeting

Leaders of the Board committees are paid additional fees per positions of NOK 40,000 (30,000). Members of the Board committees are paid additional fees per positions of NOK 30,000 (20,000). Fees are fixed and are not linked to the company's performance. Board members are not eligible for share option programs.

Business transactions between companies owned by the two primary shareholders, Knut Flakk and Mitsui & Co., and Hexagon are 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 based on company and individual 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 requirements related to capital increases in relation to option agreements and other agreements regarding the allocation of shares are approved by the annual general meeting. Remuneration guidelines for the CEO and other executive management are established by the Board and also 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 operations 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. 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

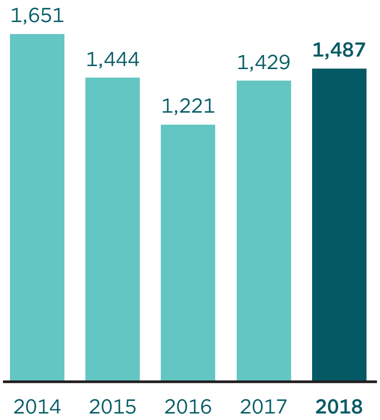
Each year, the company's external auditor provides an annual written confirmation of his/her independence and objectivity. The auditor attends Board meetings that address the annual accounts and presents to the audit committee the main features of a plan for implementing the auditing work. Annually the 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.

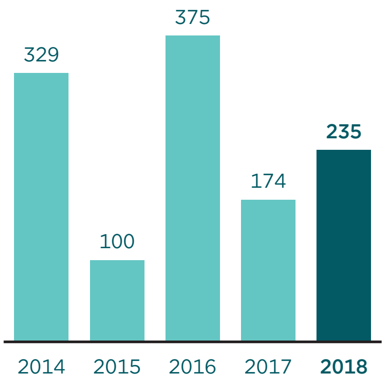
SOUND FINANCIAL BASE TO CAPTURE GROWTH OPPORTUNITIES

Group revenue increased by 4% to NOK 1,486.5 million in 2018 compared with NOK 1,429.4 million in 2017, which was positively impacted by NOK 21.5 million from the sale of certain assets to related party Agility. Operating profit before depreciation (EBITDA) was NOK 234.5 (174.0) million. EBITDA for the year 2018 included a positive impact of NOK 108.5 million associated with the reduction of the earn-out obligation related to the xperion acquisition. Operating profit (EBIT) was NOK 140.2 (99.3) million.

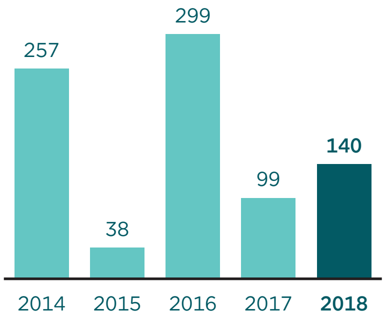
REVENUE
MNOK



EBITDA
MNOK



EBIT
MNOK



KEY FIGURES

(MNOK)	2018	2017
Revenue	1 486.5	1 429.4
Operating profit before depreciation (EBITDA)	234.5	174.0
Operating profit (EBIT)	140.2	99.3
EBITDA %	15.8 %	12.2 %
EBIT %	9.4 %	6.9 %

AGGREGATED RESULTS INCLUDING AGILITY FUEL SOLUTIONS [1)]

(MNOK)	AGGREGATED
Revenue	2 881
Adjusted operating profit before depreciation (EBITDA) [2)]	396
Operating profit before depreciation (EBITDA)	363

1) Figures in the table represent unaudited aggregated results. Estimated intercompany transactions have been eliminated

2) Adjusted for IFRS adjusted non-cash stock compensation costs

KEY DEVELOPMENTS IN 2018

- Signed agreement to acquire all outstanding shares in Agility Fuel Solutions
- Received two contracts from leading OEMs to supply hydrogen tanks for serial production of fuel cell electric vehicles (FCEVs). Total projected value of ~NOK 1.8 billion
- Acquired Digital Wave Corporation, enabling unique testing capabilities for requalification of composite pressure cylinders
- Received order from New Flyer to supply high-pressure hydrogen tanks to fuel cell transit buses
- World Harmonized Light Vehicle Test Procedure (WLTP) negatively impacted CNG LDV volumes in the second half of 2018
- Overall strong sentiment for CNG light-duty vehicles in Europe, supported by Volkswagen Group's extensive portfolio
- Record production volume of 1.8 million LPG cylinders
- ~40% year over year growth in Mobile Pipeline

KEY DEVELOPMENTS AFTER BALANCE SHEET DATE

- Closed the Agility Fuel Solutions transaction on 4 January 2019
- Private placement of NOK 493 million in February 2019
- Placed new senior unsecured bond of NOK 1.1 billion
- Agility Fuel Solutions extended long-term agreement with New Flyer, with estimated overall delivery value of USD 75 million (approx. NOK 640 million)
- Awarded contract by Audi AG to supply hydrogen tanks for development and small FCEV serial production

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

The Group's aggregated consolidated operating revenue for the year 2018, including 100% of Agility Fuel Solutions, amounted to NOK 2,881 million, nearly doubling actual reported revenue. EBITDA on an aggregated basis amounted to NOK 363 million and EBITDA adjusted for non-cash stock compensation charges was NOK 396 million.

HIGHLIGHTS

Hexagon signed an agreement to acquire the remaining 50% stake in Agility Fuel Solutions and acquired Digital Wave Corporation, ensuring its leading position in driving the energy transformation towards cleaner energy sources. Several significant opportunities came on stream, particularly within the Hydrogen, where Hexagon Purus was awarded the two largest OEM contracts to date for the Group. These contracts are for supply of hydrogen tanks for serial production of fuel cell electric vehicles (FCEV).

The CNG Light-Duty Vehicle business experienced positive development in first half of the year as sales in Europe were strong. However, the implementation of the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) disrupted OEMs' delivery schedules in the second half of the year. The delays related to the new testing protocol were resolved at the end of year and high growth is expected to resume in 2019.

Mobile Pipeline enjoyed positive market dynamics and recorded an increase in revenues by 39% compared with 2017, driven by strong demand in North America.

Hexagon Ragasco LPG had a record volume production year, with 1.8 million cylinders produced. The investment activities at the production facility at Raufoss, Norway were completed on schedule and on budget in January 2019. These investments into processes and technologies further enhance manufacturing efficiency and product differentiation.

SEGMENT RESULTS

AGILITY FUEL SOLUTIONS

FUEL SOLUTIONS FOR MEDIUM- AND HEAVY-DUTY VEHICLES

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

KEY FIGURES

Table represents actual figures on a 100% basis

(MNOK)	2018	2017
Revenue	**1 413.1**	1 301.7
Operating profit before extraordinary gain and depreciation (EBITDA)	**106.8**	78.6
Adjusted operating profit before depreciation (EBITDA) 1)	**162.5**	121.6
Adjusted EBITDA %	**11.5 %**	9.4 %

1) Adjusted for non-cash stock-based incentive program, transaction, restructuring and other costs

KEY DEVELOPMENTS

- Acquisition of Agility Fuel Solutions in November 2018, closed on 4 January 2019
- Announced its intention to provide modular high-performance battery packs for electric and hybrid electric vehicles
- Launched new large-capacity hydrogen storage systems for heavy-duty trucks
- Extended exclusive long-term agreement with New Flyer Industries with total value of USD 75 million (approx. NOK 640 million) in January 2019

SALES AND MARKET

Revenues for Agility increased by 9% in 2018 compared with 2017. The North American Transit Bus and Refuse Truck segments as well as European Transit Bus segment enjoyed strong demand through the year. Volumes for the Heavy-Duty Truck segment increased significantly in the second half of the year, as a result of the launch of Cummins Westport's 12L near-zero natural gas engine. The positive fuel price spread between diesel and natural gas coupled with the strong environmental value proposition of compressed natural gas continued to stimulate demand, especially within larger fleets and urban applications.

PROFIT/ LOSS

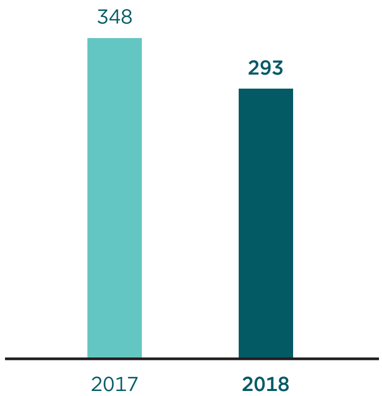
For the full year, Agility reported revenues of NOK 1,413.1 (1,300.7) million, with a reported EBITDA of NOK 106.8 (78.6) million and an adjusted EBITDA of NOK 162.5 (121.6) million. The primary adjusting item was related to a non-cash stock-based incentive program cost of NOK 42.1 million. These instruments have no value post the acquisition date. Remaining adjusting items were related to transaction, restructuring and other costs amounting to NOK 13.7 million.

For the full year 2018, Hexagon recorded its 50% share of net profit before tax as income from investments and joint ventures, which after IFRS adjustments amounted to NOK 19.3 (-16.3) million.

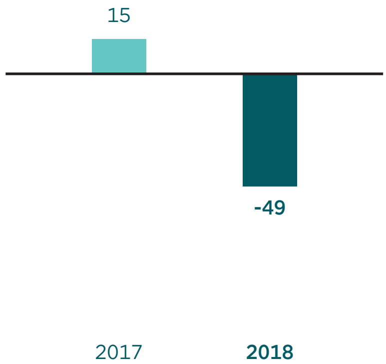
HEXAGON PURUS

HYDROGEN & CNG LIGHT-DUTY VEHICLES

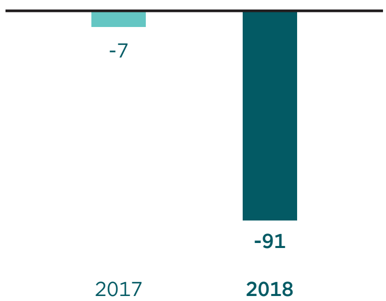
REVENUE
MNOK



EBITDA
MNOK



EBIT
MNOK



Current segment reporting structure implemented in 2018. Pro-forma numbers prepared for 2017.

KEY DEVELOPMENTS

- Received two contracts from leading OEMs to supply hydrogen tanks for serial production of FCEVs with a total projected value of ~NOK 1.8 billion
- Awarded the first order to supply hydrogen tanks for fuel cell marine vessel in the US
- Recieved order for hydrogen tanks from New Flyer for 25 hydrogen fuel cell transit buses
- Delivered its first hydrogen tanks assembly for hydrogen refueling station (HRS) in the Netherlands
- Received U.S. DOT (Department of Transportation) special permit for ultra high-pressure vessel hydrogen transport systems
- Worldwide Harmonized Light Vehicles Test Procedure caused delays for OEMs in the second half of the year
- Overall positive macro sentiment for CNG Light-Duty Vehicles in Europe
- Executed the re-organization of the new reporting structure

SALES AND MARKET

The overall sentiment remains strong in the CNG LDV segment. However, in 2018 sales volumes and profitability were negatively impacted by the implementation of the new Worldwide Harmonized Light Vehicles Test Procedure (WLTP), which took effect on 1 September 2018, causing delivery delays for OEMs. The delays related to the new testing protocol were resolved at the end of year and high growth is expected to resume in 2019.

In 2018, Hexagon received two large contracts from leading OEMs to supply hydrogen tanks for serial production of new fuel cell electric vehicle (FCEV) models, with an estimated combined value of approximately NOK 1.8 billion. These awards confirm Hexagon's leading position as a tank developer for the FCEV industry. Serial production of the tanks is scheduled to commence in 2020/2021.

In February 2019, Hexagon reached another milestone when the company was selected by Audi AG to supply high-pressure tanks for a multi-year hydrogen tank development and small-serial production project.

PROFIT/LOSS

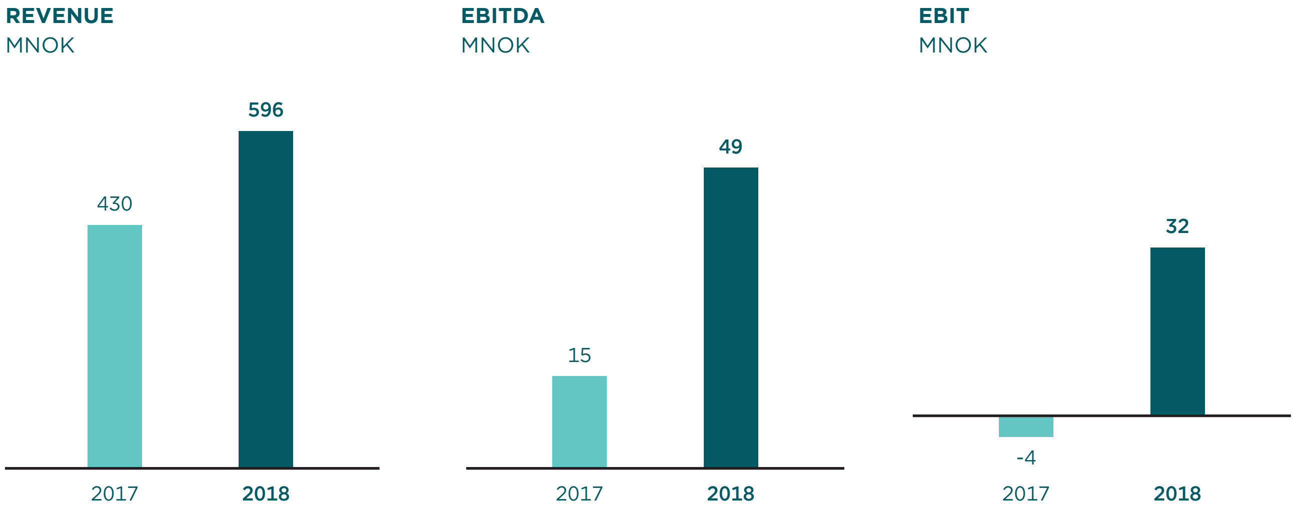
For the full year 2018, Hexagon Purus reported revenues amounting to NOK 293.4 (347.6) million of which NOK 193.3 million was generated from CNG LDV business and NOK 100.1 million from the Hydrogen business. The Hydrogen revenues were mainly derived from development programs. Lower Hydrogen Distribution sales impacted the revenues compared with 2017.

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

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

MOBILE PIPELINE & OTHER

GAS DISTRIBUTION



Current segment reporting structure implemented in 2018. Pro-forma numbers prepared for 2017.

KEY DEVELOPMENTS

- Acquired Digital Wave Corporation, enabling unique testing capabilities for requalification of composite pressure cylinders
- Mobile Pipeline results driven by strong demand in the North American markets
- First maritime industry delivery of CNG TITAN® tanks for capture of boil-off onboard an LNG gas supply vessel
- Launched TITAN®53 gas transport module, with the world's largest composite cylinders enabling the highest capacity gas transport module under 80,000 lbs GVW limit
- Received the first TITAN®53 order from XNG with a total value of USD 10.6 million (approx. NOK 86 million)
- Awarded an order for TITAN® modules from Certarus with a total value of USD 14.6 million (around NOK 121 million)
- Awarded an order for X-STORE® transport modules for the UK market from a leading industrial gas service company, with a total value of EUR 6.8 million (approx. NOK 65 million)

SALES AND MARKET

Favorable macro conditions, particularly within virtual interconnect and oil & gas operations in North America, created positive momentum and market dynamics for the business. The increased demand for Mobile Pipeline solutions was particularly driven by the positive fuel price spread between natural gas and oil-derived fuels, as well as by the increased environmental focus.

North America continued to be the largest market for Hexagon Mobile Pipeline in 2018, driven by high shale oil and gas activity, as well as strong interest from the industrial sector. The order intake outside North America remained low during the year. However, the business area was awarded a substantial order in the UK for X-STORE® Mobile Pipeline modules from a leading industrial gas services company, with a total value of EUR 6.8 million (around NOK 65 million) at the end of the year.

Digital Wave was acquired in the fourth quarter of 2018. With this acquisition, the Group secured fully integrated capabilities for testing and requalification of high-pressure cylinders. With this acquisition, Hexagon takes control of the unique Modal Acoustic Emissions (MAE) testing process. The technology effectively reduces the operators' down time and cost, while ensuring a safe and highly reliable requalification method.

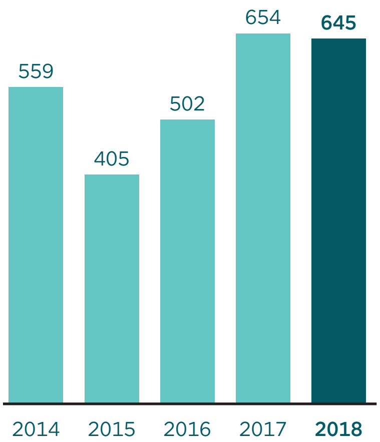
PROFIT/LOSS

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

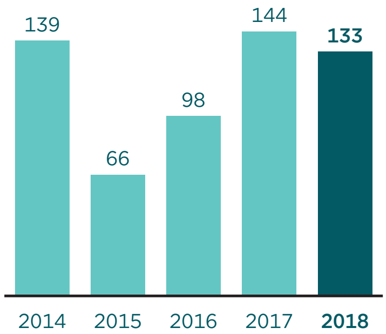
HEXAGON RAGASCO (LPG)

LPG CYLINDERS

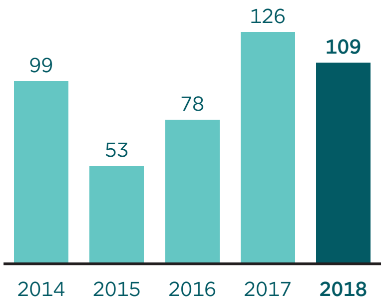
REVENUE
MNOK



EBITDA
MNOK



EBIT
MNOK



KEY DEVELOPMENTS

- Record production volumes of 1.8 million cylinders
- Large-scale commercial roll-out in Bangladesh after an introduction period in 2017
- NOK 75 million investment program completed on time and on budget

SALES AND MARKET

Hexagon Ragasco had a record year with 1.8 million cylinders produced. Sales were primarily to Europe, Asia and the Middle East.

Hexagon Ragasco has focused on developing its product and service offering enabling LPG marketers and distributors to pursue increased market shares. During the year five new markets, Germany, Benin, Burundi Ghana and Palestine, were entered. Hexagon Ragasco's distributor in Bangladesh, Beximco, ramped up sales and marketing activities significantly during the year and gained significant market share for composite cylinders in this substantial market.

Hexagon Ragasco's sees major opportunities in converting more markets to Type 4.

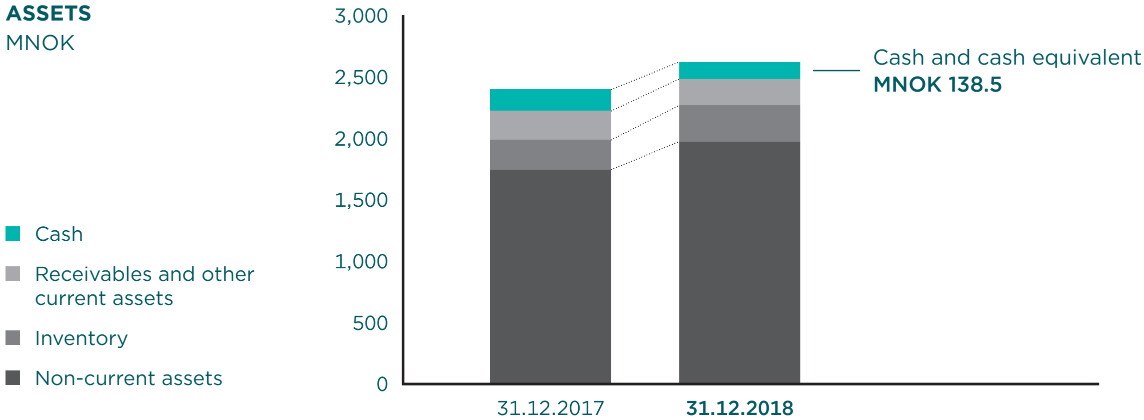
PROFIT/LOSS

Revenues for the year 2018 amounted to NOK 644.7 (654.3) million. EBIT was NOK 108.6 (125.7) million for the full year. Hexagon Ragasco had a strong first half-year where deliveries were primarily to Europe and the Middle East, while the second half of the year was affected by product/market mix changes.

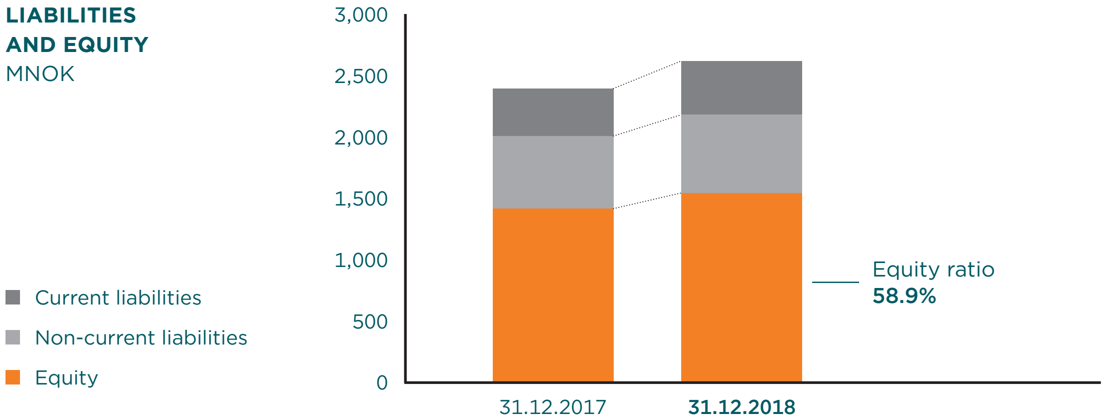
Board of Directors' Report

GROUP

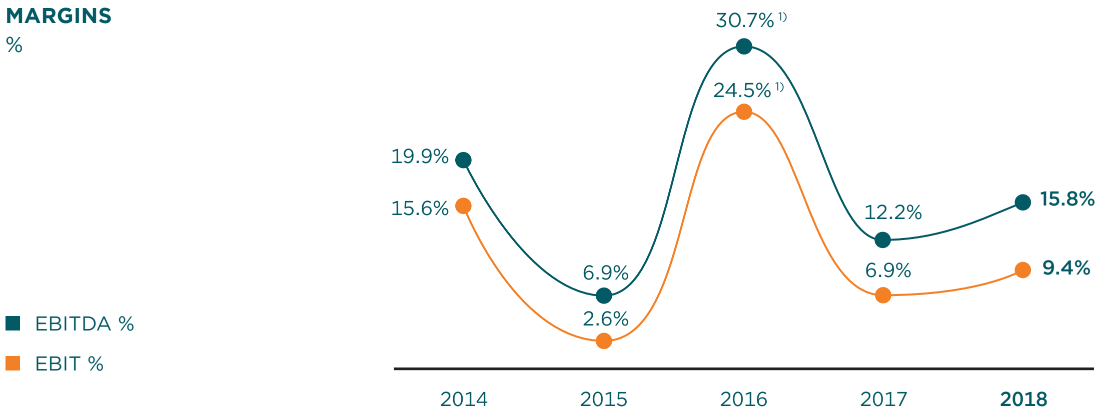
ASSETS
MNOK



LIABILITIES AND EQUITY
MNOK



MARGINS
%



1) Margins were positively impacted by the one-off gain recorded following the Agility transaction in Q4 2016.

Hexagon's headquarters are located in Aalesund, Norway. At the end of 2018, the corporate administration consisted of 12 employees, responsible for general administration, finance, strategy, business development, IT, operations, investor relations and communications.

PROFIT/LOSS

Net profit after tax for the full year 2018 was NOK 141.5 (69.5) million. Net financial items were NOK 10.6 (-34.4) million driven by positive foreign exchange fluctuation effects of NOK 22.5 (-22.2) million and interest and other charges of NOK -9.9 (-7.7) million for the full year. Profit from join ventures and associates amounted to NOK 18.0 (-16.7) million.

FINANCIAL POSITION

At year-end the statement of financial position totaled NOK 2,616.3 (2,391.3) million and the Group's equity ratio was 58.9% (58.8%).

Intangible assets and property, plant and equipment were NOK 600.9 (551.3) million and NOK 358.5 (260.6) million respectively. Inventory was NOK 295.2 (242.4) million. Outstanding receivables were NOK 214.5 (238.1) million.

Long-term interest-bearing debt increased to NOK 516.2 (367.4) million. Equity was strengthened to NOK 1,540.1 (1,412.4) million after a profitable year.

CASH FLOW AND LIQUIDITY

Total cash amounted to 138.5 (171.6) million at the end of 2018. Unused credit and overdraft facilities amounted to NOK 1,568.8 (635.9) million, including a committed bridge facility utilized for the acquisition of Agility Fuel Solutions in January 2019. The Group expects that cash and available credit facilities will be sufficient to cover planned capital expenditures, operational requirements and financing activities in 2019.

Net cash flow from operating activities was NOK 154.6 (90.4) million. Depreciation, amortization and write-downs totaled NOK 94.3 (74.7) million. The difference between the operating profit and cash flow from operating activities was primarily due to the reversal of an earn-out obligation related to the xperion acquisition, which ended in 2018. Net cash flow from investment activities was NOK -224.9 (-26.5) million, reflecting the acquisition of Digital Wave, reclassified Mobile Pipeline leasing pool assets and investments in Raufoss LPG facility. Net cash flow from financing activities was NOK 32.1 (-99.4) million, including the NOK -49.6 million dividend payment for the year 2017 and the NOK -30.7 million related to the share buyback program. Net currency differences presented separately totaled NOK 4.2 (-1.0) million.

LONG TERM BORROWING

The Group's financing requirement is covered by bank facilities as stated in note 20 in the financial statements. See also note 24 for more information.

SHARE PRICE DEVELOPMENT AND DIVIDENDS

At the end of 2018 Hexagon's share value was NOK 24.45, 11.1% below the closing price on 31 December 2017. This represents a market value at the end of the year of NOK 4.1 billion. By comparison, the Oslo Stock Exchange Industrial index decreased by 4.9% while the OBX decreased by 1.8%.

At the end of the year the Group held 2,366,075 of its own shares.

For the year 2017, Hexagon paid a dividend of NOK 0.30 per share, amounting to NOK 49.6 million in total. Given Hexagon's several numerous growth opportunities, the Board does not propose a dividend for 2018.

RISK MANAGEMENT

Hexagon works systematically to identify and manage risks. Risk management is executed by Group management and management in 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 Group's 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 currently uses financial instruments to hedge risks associated with foreign currency fluctuations and credit risk. Please see note 24 to the consolidated financial statements for further information related to financial risk factors and mitigating actions.

Unexpected events and potential fluctuations 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 1,568.8 (635.9) million. See also note 16 and 20 for more information.

The Group is mainly exposed to credit risk related to counterparty default on contractual agreements and trade, and other current receivables. The Group has policies and procedures to secure that sales are made to customers with appropriate credit profiles within defined limits. Actual losses on outstanding receivables in 2018 were NOK 2.6 (1.8) million. Trade receivables at the end of the year amounted to NOK 148.7 (172.9) million.

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

Certain of the Group's 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 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 the Group's competitive position. Factors which can impact the 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 results and financial positions.

Operational and technological risk

Hexagon currently has a strong position in the 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 were deemed appropriate. However, the company is exposed to competing technologies and processes that could have a negative effect on competitive positions and, in turn profitability and financial position. Hexagon's Type 4 composite pressure vessel technology is industry leading, however, typically competes with existing Type 1 and Type 3 technologies. Hexagon 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 these risks, 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 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 by the board on 12 February 2019 and follow the Norwegian recommendations in NUES (Norwegian Code of Practice for Corporate Governance) updated as of 17 October 2018. The Group's report is referred to in a separate chapter in the annual report (pages 56-59).

CORPORATE SOCIAL RESPONSIBILITY

Hexagon 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 the Corporate Social Responsibility chapter (page 50-54).

RESEARCH & DEVELOPMENT

In order to maintain a leading position within its markets, the Group invests in technological and process development. Several research & development (R&D) projects are carried out in cooperation with major customers.

The Group expensed R&D costs amounting to NOK 48.2 (40.8) million in 2018. The Group has received government contributions of NOK 19.2 (16.8) million towards research and development activities for 2018. The total net carrying amount of capitalized technology and development amounted to NOK 77.0 (52.7) million as of 31 December 2018, while amortization of capitalized patentes & licences and technology & development amounted to NOK 24.4 (24.1) million. In addition, the acquisition of Digital Wave Corporation was NOK 64.3. million. The Group has 56 full-time equivalents for engineering and R&D activities who are directly expensed.

AFTER BALANCE SHEET DATE

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

On 28 February 2019 Hexagon successfully raised approximately NOK 493 million in gross proceeds through a private placement of 16,662,780 new shares at a price per share of NOK 29.60.

On 7 March 2019, the company completed a new senior unsecured bond issue of NOK 1.1 billion with maturity in March 2023 and a coupon of 3-month NIBOR + 3.75% p.a. with quarterly interest payments.

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

OUTLOOK

Hexagon has established a solid financial platform for its continued growth path. With Agility Fuel Solutions and Digital Wave fully consolidated, Hexagon has become an even stronger force in driving the energy transformation towards cleaner energy sources.

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

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

The delivery delays related to the stringent emissions testing program, WLTP is easing out, and deliveries for several CNG Light-Duty Vehicle models resumed in the fourth quarter of 2018. A steep ramp-up is expected in 2019. The strong environmental focus is also driving the demand for natural gas and biogas powered vehicles.

The demand for the company's Mobile Pipeline® products is increasing, driven by growth in conversions from petroleum fuels to cleaner natural gas, particularly within energy intensive industries in North America. Also, the project pipeline continues to increase in the rest of the world. Hexagon Digital Wave expects sound demand as TITAN® modules come up for testing and requalification. Strategies will be developed to accelerate growth for this business for the coming years.

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

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future.

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. This assumption is based on profit forecasts for 2019 as well as the Group's long-term strategic forecasts. The Group's financial position is strong with sufficient liquidity and a robust equity ratio.

THE PARENT COMPANY

The Parent Company Hexagon Composites ASA incurred an operating loss of NOK -25.4 (-22.4) million in 2018 and a profit of NOK 123.2 (124.0) million.

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

(MNOK)	
Allocated to dividends	0.0
Transferred from/to other equity	123.2
Total allocations	**123.2**

STATEMENT FROM THE BOARD OF DIRECTORS AND GROUP PRESIDENT

We confirm to the best of our knowledge that:

- the financial statements for the Group and Parent Company for 2018 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements gives a true and fair view of the Group's and Parent Company's assets, liabilities, financial position and financial performance as a whole, and
- the Board of Directors' Report gives a true and fair overview of the Group's and Parent Company's development, profit and financial position, together with a description of the principal risks and uncertainties that they face.

Aalesund, Norway, 19 March 2019

The Board of Directors of Hexagon Composites ASA

Knut Flakk Chairman of the Board	Kristine Landmark Deputy Chair	Sverre Narvesen Board Member
Katsunori Mori Board Member	Elisabeth Heggelund Tørstad Board Member	Susana Quintana-Plaza Board Member
	Jon Erik Engeset Group President & CEO	

FINANCIAL STATEMENTS 2018

FINANCIAL STATEMENTS GROUP

FINANCIAL STATEMENTS PARENT COMPANY

AUDITOR’S REPORT

INCOME STATEMENT GROUP

01.01 – 31.12

(NOK 1 000)	NOTE	2018	2017
REVENUE			
Revenue from contracts with customers	4	1 485 417	0
Sales revenue	4	0	1 407 939
Rental income	4	1 103	0
Other operating income	25	0	21 458
Total revenue		**1 486 521**	**1 429 397**
OPERATING EXPENSES			
Cost of materials	13	696 970	646 062
Payroll & social security expenses	9,18,26,27	397 030	345 449
Depreciation, amortization and impairment	10,11	94 318	74 731
Other operating expenses	5,14,19,23	266 550	263 863
Fair value adjustment of earn-out	3	-108 549	0
Total operating expenses		**1 346 318**	**1 330 105**
Operating profit	**4**	**140 202**	**99 291**
FINANCE INCOME AND EXPENSES			
Finance income	6,24	85 748	79 831
Finance expense	6,20	75 188	114 228
Net financial items		**10 560**	**-34 397**
Profit/loss from associates and joint ventures	25	17 965	-16 667
Profit before tax		**168 727**	**48 227**
Tax expense	7	27 265	-21 245
Profit/loss for the year		**141 462**	**69 472**
Earnings per share (NOK)			
Ordinary	8	0.86	0.42
Diluted	8	0.92	0.47

STATEMENT OF COMPREHENSIVE INCOME

(NOK 1 000)	NOTE	2018	2017
Profit/loss after tax		141 462	69 472
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL BE RECLASSIFIED THROUGH PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Translation differences when translating foreign activities		38 740	-18 120
Net total of items that will be reclassified through profit and loss in subsequent periods		**38 740**	**-18 120**
ITEMS THAT WILL NOT BE RECLASSIFIED THROUGH PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Actuarial gains/losses for the period	18	-786	-1 351
Tax on actuarial gains/losses for pensions for the period	7	181	324
Net total of items that will not be reclassified through profit and loss in subsequent periods		**-605**	**-1 027**
Other comprehensive income for the period		**38 135**	**-19 147**
Total comprehensive income for the period		**179 597**	**50 325**
Attributable to:			
Equity holders of the parent		179 597	50 325
Non-controlling interests		0	0

FINANCIAL POSITION OF THE GROUP

(NOK 1 000)	NOTE	31.12.2018	31.12.2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	10	358 457	260 550
Intangible assets	11	600 861	551 338
Net pension assets	18	0	383
Investments in associates and joint ventures	25	993 777	918 769
Other non-current assets	12	367	557
Deferred tax asset	7	14 683	7 639
Total non-current assets		**1 968 146**	**1 739 237**
CURRENT ASSETS			
Inventories	13	295 207	242 351
Trade receivables	14	148 703	172 868
Contracts assets (accrued revenue)	4	13 486	0
Other current assets	15	52 270	65 238
Bank deposits, cash and cash equivalents	16	138 531	171 605
Total current assets		**648 198**	**652 062**
Total assets		**2 616 343**	**2 391 298**

FINANCIAL POSITION OF THE GROUP

(NOK 1 000)	NOTE	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	16 663	16 663
Share premium	17	727 639	727 639
Own shares	17	-237	-117
Other paid-in capital		29 738	16 888
Total paid-in capital		**773 803**	**761 073**
Other equity		766 260	651 368
Total other equity		**766 260**	**651 368**
Total equity		**1 540 063**	**1 412 441**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	20,23	516 163	367 403
Pension liabilities	18	1 698	1 838
Deferred tax liabilities	7	119 923	108 892
Non-current provisions	3	0	113 675
Total non-current liabilities		**637 784**	**591 808**
CURRENT LIABILITIES			
Short-term loans	16,21,23	5 769	19 494
Trade payables and other current liabilities	3,22,24,25	317 138	287 744
Contract liabilities (incl. prepayment from customers)	4	47 185	0
Income tax payable	7	34 283	41 966
Provisions	19	34 122	37 845
Total current liabilities		**438 496**	**387 049**
Total liabilities		**1 076 280**	**978 857**
Total equity and liabilities		**2 616 343**	**2 391 298**

Aalesund, Norway, 19 March 2019
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman of the Board

Kristine Landmark
Deputy Chair

Sverre Narvesen
Board Member

Katsunori Mori
Board Member

Elisabeth Heggelund Tørstad
Board Member

Susana Quintana-Plaza
Board Member

Jon Erik Engeset
Group President & CEO

CASH FLOW STATEMENT GROUP

(NOK 1 000)	NOTE	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		168 727	48 227
Tax paid for the period		-28 696	11 467
Gains/losses on sale of property, plant & equipment	10	43	-24 946
Depreciation/amortization	10,11	76 932	73 988
Impairment loss	10	17 386	743
Interest income	6	-4 662	-1 144
Interest expenses	6	9 772	8 986
Profit/loss from associates and joint ventures	25	-17 965	16 667
Fair value adjustment of earn-out	3	-108 549	0
Changes in inventories, trade receivables and payables		32 670	-132 711
Changes in pension liabilities	18	-542	-352
Changes in other accrual accounting entries		9 486	89 508
Net cash flow from operating activities		**154 601**	**90 434**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds sale of fixed assets	10	76	36 591
Purchase of property, plant & equipment	10	-158 154	-68 830
Purchase of intangible assets	11	-18 640	-9 781
Interest received	6	4 662	1 144
Acquisition net of cash	5	-63 330	0
Other investments		10 466	14 396
Net cash flow from investing activities		**-224 920**	**-26 479**
CASH FLOW FROM FINANCING ACTIVITIES			
New non-current liabilities	20,23	144 470	0
Repayment of non-current liabilities	20,23	-22 361	-90 427
Interest payments	6	-9 734	-8 981
Payments of dividends		-49 639	0
Increase in share capital		-30 676	0
Net cash flow from financing activities		**32 060**	**-99 407**
Net change in cash & cash equivalents		-38 259	-35 453
Net currency exchange differences		4 204	-1 016
Cash & cash equivalents at beginning of period		171 605	208 073
Cash and cash equivalents acquisition		980	0
Cash & cash equivalents at end of period	**16**	**138 531**	**171 605**
Undrawn Group overdraft facilities	16,20	1 568 751	635 909
Restricted funds, included in cash & cash equivalents	16	6 519	6 400

STATEMENT OF CHANGES IN EQUITY

(NOK 1 000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	OTHER PAID-IN EQUITY	TRANS-LATION DIFFER-ENCES	OTHER EQUITY	NON-CON-TROLLING INTEREST	TOTAL
Balance 01.01.2017	16 663	-117	727 639	6 752	105 967	476 266	0	1 333 170
Dividends to shareholders								0
Share-based payment etc.				10 136		18 811		28 947
Profit/loss for the year						69 472		69 472
OTHER COMPREHENSIVE INCOME								
Translation differences when translating foreign activities					-18 120			-18 120
Actuarial gains/losses for the period						-1 027		-1 027
Actual gains or losses on instruments used for cash flow hedging								0
Total other comprehensive income					**-18 120**	**-1 027**		**-19 147**
Balance as of 31.12.2017	**16 663**	**-117**	**727 639**	**16 888**	**87 847**	**563 521**	**0**	**1 412 441**

(NOK 1 000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	OTHER PAID-IN EQUITY	TRANS-LATION DIFFER-ENCES	OTHER EQUITY	NON-CON-TROLLING INTEREST	TOTAL
Balance 01.01.2018	16 663	-117	727 639	16 888	87 847	563 521	0	1 412 441
Implementation of IFRS 15						2 204		2 204
New balance 01.01.2018	16 663	-117	727 639	16 888	87 847	565 725	0	1 414 645
Dividends to shareholders						-49 639		-49 639
Movement in own shares		-120				-30 556		-30 676
Share-based payment etc.				12 850		13 285		26 135
Profit/loss for the year						141 462		141 462
OTHER COMPREHENSIVE INCOME								
Translation differences when translating foreign activities					38 740			38 740
Actuarial gains/losses for the period						-605		-605
Actual gains or losses on instruments used for cash flow hedging								0
Total other comprehensive income					**38 740**	**-605**		**38 135**
Balance as of 31.12.2018	**16 663**	**-237**	**727 639**	**29 738**	**126 587**	**639 673**	**0**	**1 540 063**

Own shares comprise cost of acquisition for the Company's shares owned by the Group. As of 31 December 2018, the Group owned 2 366 075 (1 166 075) own shares.

Other equity includes accumulated actuarial gains/losses for pensions after tax of NOK -19 726 thousand (change of NOK -605 thousand from NOK -19 121 thousand as of 31.12.2017).

Non-controlling interest

For the non-controlling interest there is an agreement that Hexagon will fund (through a loan) the operation for 36 months. Based on this, the risk and rewards would be on Hexagon after the minority is reduced to 0, thus all negative results after this reduction are allocated to parent equity.

NOTES

NOTE 1 GENERAL

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

The Board of directors authorized the annual report for publication on 19 March 2019.

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 of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU as of 31.12.2018, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31.12.2018.

The consolidated financial statements have been prepared on a historical cost basis, with the exception of financial derivatives at fair value through profit or loss and financial derivatives used as cash flow hedges that are recognized 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. The statement of financial position figures of entities with a different functional currency are translated at the exchange rate prevailing at the end of the reporting period for balance sheet items, including goodwill, and the exchange rate at the date of the transaction for profit and loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Translation differences are recognized in other comprehensive income ("OCI"). The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rate are recognized continuously in the accounting period.

2.3 BASIS OF CONSOLIDATION
The Group's consolidated financial statements comprise Hexagon Composites ASA and it's subsidiaries as of December 31, 2018. An entity has been assessed as being controlled by the Group when the Group is exposed to or have the rights to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect the amount of the Group's returns.

Thus, the Group controls an entity if and only if the Group has all the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect the amount of the Group's returns.

There is a presumption that if the Group has the majority of the voting rights in an entity, the entity is considered as a subsidiary. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the entity. Including ownership interests, voting rights, ownership structure and relative power, as well as options controlled by the Group and shareholder's agreement or other contractual agreements. Reference is made to note 30 which contains a list of the subsidiaries and note 25 which lists joint ventures.

The assessments are done for each individual investment. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Business combinations and goodwill
Business combinations are accounted for by using the acquisition method, see note 5. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and consist of cash and contingent consideration. A contingent consideration is classified as a liability in accordance with IAS 39. Subsequent changes in the fair value are recognized in profit or loss. The assumptions for exercising the contingent contribution is described in note 5.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. The acquired assets and liabilities are accounted for by using fair value in the opening group balance (unless other measurement principles should be applied in accordance to IFRS 3). The initial accounting for a business combination can be changed if new information about the fair value at the acquisition date is present. The allocation can be amended within 12 months of the acquisition date. The non-controlling interest is set to the non-controlling interest's share of identifiable assets and liabilities. The measurement principle is done for each business combination separately.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not depreciated, but is tested at least annually for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Acquisition related costs are expensed as incurred and included in administrative expense. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Non-controlling interests are presented separately under equity in the Group's balance sheet.

Loss of control
In cases where changes in the ownership interest of a subsidiary leads to loss of control, the consideration is measured at fair value. Assets (including goodwill) and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognized at the date when the control is lost.

The fair value of the consideration received is recognized and any investment retained is recognized at fair value. Gain or loss is recognized in profit and loss at the date when the control is lost. The Group has made a policy choice, when control is lost and the reminder of the interest is retained through a joint venture or associate, to partly recognize the gain or loss as to that attributable to the other party of which control is lost. The gain or loss is presented on a separate line included in operating expenses.

2.4 INVESTMENT IN ASSOSIATES AND JOINT VENTURES
Associates are entities where the Group has significant influence, but not control or joint control, over financial and operating management (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. 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.

Under the equity method, the investments in an associates or joint ventures are initially recognized at cost. The carrying amount of the investment is adjusted to recognize 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 recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized 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 and is recognized against profit/loss from investment in associates and joint ventures.

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 recognized 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 recognized 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 recognizes any retained investment at its fair value. A new measurement of remaining ownership interests will not be performed if the equity method is still applicable, for example by transition from an associate to a joint venture.

2.5 CURRENT VERSUS NON-CURRENT CLASSIFICATION
The Group presents assets and liabilities in the consolidated statement of financial position as either current or non-current.

The Group classifies an asset as current when it:

- Expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- Holds the asset primarily for the purpose of trading
- Expects to realize the asset within twelve months after the reporting period

Or

- The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current, including deferred tax assets.

The Group classifies a liability as current when it:

- Expects to settle the liability in its normal operating cycle
- Holds the liability primarily for the purpose of trading
- Is due to be settled within twelve months after the reporting period

Or

- It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current, including deferred tax liabilities.

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. Received interest income is classified as investment activities and interest payments is classified as investment activities in the cash flow statement.

2.7 TRADE RECEIVABLES
Trade receivables are recognized at fair value less impairment losses. Nominal value does not normally differ significantly from amortized cost.

2.8 INVENTORIES
Inventories are valued at the lower of historical cost and net realizable value. Net realizable value is the estimated selling price (in the normal course of business) less the estimated costs of completion and the estimated cost necessary to make the sale. Cost is based on the average cost price, and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location. Goods produced by the Group itself include variable and fixed costs that can be allocated based on normal capacity utilization.

2.9 PROPERTY, PLANT & EQUIPMENT

Items of property, plant and equipment are valued at their cost, less accumulated depreciation and impairment losses. An asset is derecognized 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 recognized 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 recognized as an expense in the income statement, while expenses that are expected to generate future economic benefits are capitalized.

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

- Buildings 10-20 years
- Plant, machinery and equipment 3-15 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.

The depreciation period and method are assessed annually. A residual value is estimated at each year-end, and changes to the estimated residual value is recognized as a change in an estimate. 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 LEASES

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease 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 this cannot be calculated, the Group'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 Group's other depreciable assets. If there is no reasonable certainty that the Group 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.

An operating lease is a lease other than a finance lease. Lease payments are classified as an operating expense in the income statement and are recognized as an expense over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.11 BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.12 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset

The Group's financial assets are: derivatives, non-listed equity instruments, trade receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group classified its financial assets in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit and loss

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Groups financial assets at amortized cost includes trade receivables and other short-term deposits. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

Financial assets at fair value through OCI

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held where the business model objective of both holding to collect contractual cash flows and selling, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other finance income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The category includes foreign exchange contracts and interest rate swaps not designated as hedging instruments.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

either

a) the Group has transferred substantially all the risks and rewards of the asset, or
b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities
Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Derivatives are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives assets.

Loans, borrowings and payables
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Payables are measured at their nominal amount when the effect of discounting is not material.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Cash flow hedges
The Group uses only derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The forward premium of currency contracts is excluded from the hedging relationship and is accounted for as cost of hedging.

Financial derivatives that are not recognized as hedging instruments are assessed at their fair value through profit and loss. Changes in the fair value are recognized in the income statement as they arise. The Group uses forward currency contracts to reduce currency exposure, but do not use hedge accounting associated with the currency instruments.

Hedges of a net investment in a foreign operation
A hedge of a net investment in a foreign operation is accounted for in a similar way as a cash flow hedge. Foreign exchange gains or losses on the hedging instruments relating to the effective portion of the hedge are recognized directly in OCI, while any foreign exchange gains and losses related to the ineffective portion are recognized in profit and loss. On disposal of the foreign entity, the cumulative value of foreign exchange gains or losses recognized directly in equity is transferred to profit and loss.

Fair value hedges are not applicable to the group.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the

contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.13 INTANGIBLE ASSETS

Intangible assets acquired independently are measured on initial recognition at cost. The cost of intangible assets acquired as part of a business combination is recognized at fair value in the Group's opening balance at the date of acquisition. Capitalized intangible assets are recognized at cost less any amortization and impairment.

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

The useful life is either finite or indefinite. Intangible assets with a finite useful life are amortized over their useful economic life and tested for impairment if there are any indications that the intangible asset may be impaired. The amortization method and period are assessed at least once a year. Changes to the amortization method and/or period are accounted for as a change in accounting estimate.

Intangible assets with an indefinite economic life are note amortized, but are tested for impairment at least once a year, either individually or as a part of a cash-generating unit. Intangible assets with an indefinite economic life are not amortized. The economic life is assessed annually with regard to whether the assumption of an indefinite economic life can be justified. If it cannot, the change to a definite economic life is made prospectively.

Patents and licences

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

Research and development cost

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

it is technically feasible to complete the intangible asset so that the asset will be available for use or for future sale;

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

Other development costs are recognized as incurred. Development costs that have previously been expensed are not recognized in subsequent periods. Capitalized development costs are amortized on a straight-line basis over the estimated useful life of the asset. Capitalized 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 recognized at cost less amortization. Customer contracts and technology are amortized using the straight-line method over their estimated useful lives.

2.14 IMPAIRMENT OF NON-FINANCIAL ASSETS
Intangible assets with an indefinite useful life are not amortized, but 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 recognized 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, CGU). A CGU 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 Group considers the possibility of reversing previous impairment losses on non-financial assets (except goodwill and other intangible assets with an indefinite useful life).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

2.15 PROVISIONS
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (more likely than not) that a financial settlement will take place as a result of this obligation and the size of the amount can be measured reliably. If the effect is significant, the provision is calculated by discounting estimated 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 recognized when the underlying products or services are sold. The provision is based on historical information about guarantees and a weighting of possible outcomes according to the likelihood of their occurrence. A provision for onerous contracts is recognized 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
Financial instruments are classified as financial assets, liabilities or equity in accordance with the underlying economical realities. Interest, dividend, gains and losses relating to a financial instrument classified as an asset or liability will be presented as an expense or income in the income statement. Amounts distributed to holders of financial instruments that are classified as equity will be recorded directly in equity.

(I) Own shares
In the event of a purchase of own shares, the purchase price and any directly associated costs are recognized as a change in equity. Own shares are reported as a reduction in equity. Gains or losses related to own share transactions are recognized directly in equity.

(II) Costs arising from equity transactions
Transaction costs directly related to an equity transaction are recognized directly in equity.

(III) Other equity
(a) Translation differences

Translation differences arising in connection with exchange-rate differences on consolidation of foreign entities are recognized in other comprehensive income. Exchange-rate differences in monetary amounts (liabilities or receivables) which are in reality a part of a company's net investment in a foreign entity, are also included as translation differences.

If a foreign entity is sold, the accumulated translation differences linked to the entity are reversed and recognized in profit or loss in the same period in which the gain or loss on sale is recognized.

(b) Change in actuarial gains/losses (pension commitments)

Actuarial gains or losses resulting from changes in assumptions and basic data are recognized directly in other comprehensive income.

(c) Dividends

Proposed dividends are classified as other equity until they are approved by the general assembly of Hexagon Composites ASA.

(IV) Other paid-in capital – Share-based payments

The Group has a share-based program for the senior executives. The fair value of the share instruments is measured at the date of the grant using the Black & Scholes model. The fair value of the issued options is expensed as an employee cost with a corresponding increase in other paid in capital over the vesting period, which is over the agreed-upon future service time.

(V) Hedging reserve

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

2.17 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's main revenues come from the sale of its own mass-produced standard products in the different segments:

1. Hexagon Purus (Hydrogen & Light-Duty Vehicles)
2. Hexagon Mobile Pipeline & Other
3. Hexagon Ragasco LPG

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The products are mainly sold in relation to separately identifiable contracts with customers.

Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product. The normal credit term is 30 to 45 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, trade discounts or volume rebates). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration and the existence of significant financing components.

(i) Variable consideration

Some contracts with customers provide rights of return, trade discounts or volume rebates. The Group uses the expected value method to estimate the goods that will not be returned as this best predicts the amount of variable consideration to which the Group will be entitled. For trade discounts and volume rebates the sale of goods are measured at the fair value of the consideration received or receivable, net of allowances for trade discounts and volume rebates. If revenue cannot not be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. The Group performs the assessment on individual contracts to determine the estimated variable consideration and related constraints.

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iii) Warranty provision

The Group typically provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. Such warranties are evaluated as assurance-type warranties which are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See note 19 for an overview of the warranty provision.

Services

To some extent the Group provides other services in relation to reinspection and testing of products and non-recurring engineering and design or development. These services are normally sold on their own and based on relative stand-alone selling prices. The Group recognizes revenue from services over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Funded development contracts
The Group has entered into funded contracts with a limited number of customers for development services. The Group recognizes revenue over time as the services are performed. Progress is measured using an input method to measure progress towards certain project milestones as the customer simultaneously receives and consumes the benefits provided by the Group.

Contract balances
(i) Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

(ii) Trade receivable
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

(ii) Contract liability
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Cost to obtain a contract
The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense such costs when the related revenue is expected to be recognized within one year. When revenue will be recognized over several reporting periods the Group recognizes incremental costs of obtaining a contract with a customer as an asset, provided that the costs are expected to be recovered throughout the contract. The costs are amortized on a systematic basis that is consistent with the transfer of the related goods or services to the customer and subsequently re-assessed at the end of each reporting period.

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 recognized 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 reporting currency using the exchange rate on the balance sheet date. Income and expense from foreign operations is translated to reporting 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 recognized 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 other comprehensive income. Translation differences in other comprehensive income are transferred to the income statement on the disposal of a foreign operation.

2.19 EMPLOYEE BENEFITS
Defined benefit pension plans
Defined benefit plans are valued at the present value of accrued future pension benefits at the end of the reporting period. Pension plan assets are valued at their fair value.

The current service cost and net interest income/costs are recognized immediately and is presented as a payroll & social security expense in the income statement. Net interest income/costs is calculated by using the discount rate of the liability at the beginning of the period on the net liability. Changes in net pension liabilities as a result of payments of premiums and pension payments have been taken into consideration. The difference between the actual return and the accounted return is recognized continuously through other comprehensive income. The pension cost is affecting the payroll & social security costs in the income statement. Actuarial gains and losses, including changes in value, both for assets and liabilities, are recognized through other comprehensive income. Actuarial gains and losses are not reclassified over profit and loss.

Multi-employer plans
Some of the Norwegian employees participate in a new 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 pension liability recognized.

Defined contribution pension plans
Pension premiums relating to defined contribution plans are recognized as an expense as they are incurred.

Share-based payment
The Group has a share based program for the senior executives. The share option program for the senior executives is settled in stocks. The fair value of the issued options is expensed over the vesting period which is over the agreed-upon future service period and, where applicable, the performance conditions are fulfilled. The fair value of the share options is measured at grant date and calculated using the Black & Scholes model.

The cost of the employee share-based transaction is expensed over the average vesting period. The value of the issued options of the transactions that are settled with equity instruments (settled with the company's own shares) is recognized as salary and personnel cost in profit and loss with a corresponding increase in other paid-in capital. Social security tax on options is recorded as a liability and is recognized over the estimated vesting period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.20 GOVERNMENT GRANTS
Government grants, including the Skattefunn tax incentive scheme, are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received. Grants are recognized as deductions against the cost that they are intended to compensate. Investment grants are capitalized and recognized systematically over the asset's useful life. Investment grants are recognized either as deferred income or as a deduction of the asset's carrying amount. The Group currently has grants with the United States Department of Energy which is recognized as grant income.

2.21 INCOME TAXES
The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, with the exception of:

- temporary differences linked to goodwill that are not tax deductible

- temporary differences related to investments in subsidiaries, associates or joint ventures when the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognized when it is probable that the Group will have a sufficient profit for tax purposes in subsequent periods to utilize the tax asset. The Group recognize previously unrecognized deferred tax assets to the extent it has become probable that the Group can utilize the deferred tax asset. Similarly, the Group will reduce a deferred tax asset to the extent that the Group no longer regards it as probable that it can utilize the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen. Deferred tax assets and liabilities are recognized 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 recognized directly in other comprehensive income if the tax items relate to items recognized in other comprehensive income. Deferred tax is recognized directly in equity if the tax items relate to items recognized directly in equity.

2.22 SEGMENTS
For management purposes, the Group is organized 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. In segment reporting, internal gains on sales between segments are eliminated.

2.23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS
Contingent liabilities are not recognized in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are remote to incurred.

Contingent assets are not recognized 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
New information on the Group's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the Group's financial position on the end of the reporting period but which will affect the Group's financial position in the future are disclosed if significant.

2.25 NEW ACCOUNTING STANDARDS
The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

There is no other new accounting standards or amendments in IFRS in 2018 which has had any effect for the Group's financial statements.

IFRS 15 Revenue form contracts with customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1. January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at 1 January 2018 was, as follows (NOK 1 000):

Impact on equity (increase/- decrease) as at 1 January 2018	
Other current liabilities	2 900
Deferred tax liabilities	-696
Net impact on equity	**2 204**

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

	IFRS 15	PREVIOUS IFRS	INCREASE/(-DECREASE)
REVENUE			
Revenue from contracts with customers	1 485 417	0	1 485 417
Sales revenue	0	1 482 261	-1 482 261
Rental revenue	1 103	1 103	0
TOTAL REVENUE	**1 486 521**	**1 483 365**	**3 156**
Operating expenses			
Cost of materials	696 970	696 970	0
Payroll & social security expenses	397 030	397 030	0
Depreciation and impairment	94 318	94 318	0
Other operating expenses	266 550	266 550	0
Reversal earn-out	-108 549	-108 549	0
TOTAL OPERATING EXPENSES	**1 346 318**	**1 346 318**	**0**
OPERATING PROFIT	**140 202**	**137 046**	**3 156**
FINANCE INCOME AND EXPENSES			
Finance income	85 748	85 748	0
Finance expenses	75 188	75 188	0
Net financial items	**10 560**	**10 560**	**0**
Profit/loss from associates and joint ventures	17 965	17 965	0
PROFIT BEFORE TAX	**168 727**	**165 571**	**3 156**
Tax expense	27 265	26 568	697
PROFIT/LOSS FOR THE YEAR	**141 462**	**139 003**	**2 459**
EARNINGS PER SHARE (NOK)			
Ordinary	0.858	0.843	0.015
Diluted	0.916	0.903	0.013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(NOK 1 000)	IFRS 15	PREVIOUS IFRS	INCREASE/(DECREASE)
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	358 457	358 457	0
Intangible assets	600 861	600 861	0
Investments in associates and joint ventures	993 843	993 843	0
Other non-current assets	301	301	0
Deferred tax asset	14 683	14 683	0
TOTAL NON-CURRENT ASSETS	**1 968 146**	**1 968 146**	**0**
CURRENT ASSETS			
Inventories	295 207	295 207	0
Trade receivables	148 703	148 703	0
Contract assets (accrued revenue)	13 486	0	13 486
Other current assets	52 270	65 757	-13 486
Bank deposits, cash and cash equivalents	138 531	138 531	0
TOTAL CURRENT ASSETS	**648 198**	**648 198**	**0**
TOTAL ASSETS	**2 616 343**	**2 616 343**	**0**
EQUITY AND LIABILITIES			
EQUITY			
Total paid in equity	773 803	773 803	0
Other equity	766 260	763 801	2 459
Total equity	**1 540 063**	**1 537 604**	**2 459**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	516 163	516 163	0
Pension liabilities	1 698	1 698	0
Deferred tax liabilities	119 923	119 226	697
TOTAL NON-CURRENT LIABILITIES	**637 784**	**637 087**	**697**
CURRENT LIABILITIES			
Short-term loans	5 769	5 769	0
Trade payables and other current liabilities	317 138	367 479	-50 341
Contract liabilitites (incl. prepayment from customers)	47 185	0	47 185
Income tax payable	34 283	34 283	0
Provisions	34 122	34 122	0
TOTAL CURRANT LIABILITIES	**438 496**	**441 652**	**-3 156**
TOTAL LIABILITIES	**1 076 280**	**1 078 740**	**-2 459**
TOTAL EQUITY AND LIABILITIES	**2 616 343**	**2 616 343**	**0**

The nature of the adjustments as at 1 January 2018 and the reasons for the changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

Some contracts with customers provide rights of return, trade discounts or volume rebates. Under previous IFRS the Group recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of allowances, trade discounts and volume rebates. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. Based on analysis of open contracts 1.1.2018, the Group identified an effect of NOK 2.9 million in increased revenue related to a provision for variable considerations under IFRS 15. Besides this, the Group did not identify any other significant changes in revenue recognition.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 retrospectively, with an initial application date of 1 January 2018. The Group has note restated the comparative information, which continues to reported under IAS 39. The Group has applied hedge accounting in accordance with IFRS 9, which involves use of the same hedging instruments as under IAS 39.

Overall, there were no impact of implementing IFRS 9 for the Group. This was primarily based on that the Group does not use hedge accounting. The classification and measurement of the Group's balance sheet financial assets and liabilities did not result in any change. Finally, there were no material impact on new IFRS 9 requirements on impairment of trade receivables due to its history of no significant losses on trade receivables.

2.26 NEW AND AMENDED IFRS 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 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The standard is effective for annual periods beginning on or after 1 January 2019 and the Group expects to implement the standard by applying the modified retrospective approach. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

During 2018, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows 1 January 2019:

Impact on the statement of financial position (increase/ - decrease) as at 1 January 2019 (NOK 1 000):

Impact on equity (increase/- decrease) as of Januare 2019	
Assets	
Property, plant and eqiupment (right-of-use assets)	244 709
TOTAL ASSETS	**244 709**
Liabilities	
Lease liabilities	244 709
TOTAL LIABILITIES	**244 709**

Due to the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

IFRS 10 Consolidated Accounts and IAS 28 Investments in Associates and Joint Ventures
The amendment addresses an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and the investor's associates or joint ventures. The main consequence of the amendment is that a full gain or loss are recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. IASB has postponed the effective date of the amendment indefinitely. The Group has made a policy choice, when control is lost and the reminder of the interest is retained through a joint venture of associate, to partly recognize the gain or loss as to that attributable to the other party of which control is lost. If the above amendment becomes effective the Group will assess any impact on 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 reported amounts of revenues, expenses, assets, liabilities and equity over the next financial year.

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

- Fair value of assets and liabilities acquired in a business combination including earn out provision.
- Depreciation and impairment of property, plant & equipment and intangible assets
- Development cost
- Impairment of goodwill
- Product warranty provisions
- Share-based payments
- Revenue from contracts with customers

Fair value of assets and liabilities at the time of acquisition
The Group are required to allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. The Group have engaged third-party appraisal firms to assist the Group in determining the fair values of the assets acquired and liabilities assumed. Such valuations require management to make significant judgments in selecting valuation methods, estimates and assumptions. The significant purchased intangible assets recorded by Hexagon Composites include customer relationships, trade name and technology. Critical estimates in the evaluations for such intangible assets include, but are not limited to, estimated average customer relationship based on customer attrition, applying a relief from royalty model using an appropriate royalty rate and expected developments in technology and markets.

In relation to the purchase of Hexagon xperion in 2016 an earn-out payment provision was recognized contingent to future revenue developments through 2017 and 2018. This contingent consideration was valued at fair value at the acquisition date as part of the business combination. The value of the earn-out was estimated to NOK 113.2 million as at 31.12.2017 based on 100% achievement. Based on certain specific developments in second half of 2018 resulted in a significant reduction in the earn out provision. Based on revision to the estimate the provision has been reduced to NOK 1.9 million as at 31.12.2018. The reversed amount is shown in a separate line in the profit and loss statement.

Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Management's fair value estimates are based on reasonable, but not entirely certain, assumptions. See also note 5 and 25.

Depreciation and impairment 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 exists for the interval between 10-20 years.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group has recognized an impairment of MNOK 17.1 (MNOK 0.7), principally related to specific production equipment. See also note 10.

Development costs
The Group capitalizes development costs for a project in accordance with the Groups accounting policy. Initial capitalization 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 capitalized, 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 2018, the carrying amount of capitalized development costs was NOK 77 046 (52 705) thousand. For criteria for recognition, see note 2.13 and note 11.

There is uncertainty about the date for when the criteria for recognition of intangible assets are satisfied and there is uncertainty associated with the valuation and allocation of the cost of acquisition for intangible assets.

Impairment of goodwill
Recognized 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. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate.

See also note 11 for further information on impairment testing of goodwill.

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 labor costs. See also note 19.

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of the Group's share option program at the grant date, the Group uses the Black & Scholes model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 26.

Revenue recognition

Determining the timing of satisfaction of services and funded development contacts.

The Group concluded that revenue for services and funded development contracts is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the installation or the defined milestones that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring progress of the services and funded development contracts because there is a direct relationship between the Group's effort (i.e., total costs incurred) and the transfer of service to the customer. The Group recognizes revenue on the basis of the total costs expended relative to the total expected costs to complete the service and funded development contract.

NOTE 4 SEGMENT INFORMATION

The Group was until 2017 comprised of two business segments: High-Pressure CNG & CHG and Low-Pressure LPG. As a result of the growing market opportunities for renewable fuels solutions, Hexagon has organized its Hydrogen activities and CNG Light-Duty Vehicle activities into a dedicated single business segment. The new segment and reporting structure from first quarter 2018 is:

•Hexagon Purus (Hydrogen & CNG Light-Duty Vehicles)
•Hexagon Mobile Pipeline & Other
•Hexagon Ragasco LPG

Comparable figures for the new segments are restated.

The Group's operations are divided into three strategic business areas, which are organized and managed separately. These three business areas are also defined as the groups reportable operating segments as 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 REPORTABLE OPERATING SEGMENTS

a) Hexagon Purus - develop and supply high-pressure composite cylinders and solutions for a wide range of Hydrogen applications as well as CNG-fueled Light-Duty Vehicles.
b) Hexagon Mobile Pipeline & Other - develop and supply high-pressure composite storage and transportation cylinders and modules for compressed natural gas (CNG) and biogas.
c) Hexagon Ragasco LPG - manufactures low-pressure composite cylinders, i.e. cylinders for propane gas.

The President of Hexagon Purus, Hexagon Mobile Pipeline & Other and Hexagon Ragasco LPG are the Chief Operating Decision Makers (CODMs) and monitors the operating results of their respective business areas separately for the purpose of making decisions about resource allocation and performance assessment.

No operating segments have been aggregated to form the above reportable operating segments. Transactions between the segments are based on arm's length basis.

OTHER INFORMATION

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. In 2018 and 2017 the Hexagon Mobile Pipeline & Other 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 316 513 thousand in 2018 and NOK 273 674 thousand in 2017.

GEOGRAPHICAL AREAS

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

Transactions within the segments have been eliminated.

BUSINESS SEGMENT DATA 2018

(NOK 1 000)	HEXAGON PURUS	HEXAGON MOBILE PIPELINE & OTHER	HEXAGON RAGASCO LPG	UNALLOCATED	ELIMINATION	CONSOLIDATED 2018
REVENUE FROM EXTERNAL CUSTOMERS:						
Sale of cylinders and eqipment (at a point in time)	229 421	551 655	634 281	0		1 415 357
Sale of services and funded development (transferred over time)	48 153	21 200	2 079	0		71 432
Internal transactions	15 789	22 439	8 348	38 199	-86 146	-1 372
Total revenue from contracts with external customers	**293 363**	**595 294**	**644 708**	**38 199**	**-86 146**	**1 485 418**
Rental income	0	342	0	761		1 103
Total revenue	**293 363**	**595 636**	**644 708**	**38 960**	**-86 146**	**1 486 521**
Operating profit for segment before depreciation/amortization (EBITDA)	**-48 819**	**48 711**	**133 300**	**101 328**		**234 520**
Operating profit for segment (EBIT)	**-90 595**	**31 870**	**108 560**	**90 367**		**140 202**
Profit/loss from associates and joint ventures	-1 305			19 270		17 965
Net financial items						-10 560
Tax expense						27 265
Profit/loss for the year						**141 462**
Segment assets [2)]	**782 716**	**370 893**	**403 254**	**1 080 928**	**-21 448**	**2 616 343**
Segment liabilities	**716 795**	**906 308**	**301 184**	**86 453**	**-934 460**	**1 076 280**
Investments in assets for the year	21 737	83 173	53 123	18 759		176 792
Depreciation/amortization/ impairment	41 776	16 841	24 740	10 961		94 318

GEOGRAPHICAL INFORMATION 2018

(NOK 1 000)	EUROPE	NORTH AMERICA	SOUTH-EAST ASIA	MIDDLE EAST	OTHER	NORWAY	CONSOLIDATED 2018
Income divided among customer locations from external customers	663 509	570 503	113 639	57 191	30 240	51 437	1 486 521
Non-current assets [1)]	491 503	177 491				290 325	959 318
Investments in assets for the year	21 708	83 173				71 811	176 692

1) Non-current assets for this purpose consists of property, plant & equipment and intangible assets
2) Unallocated is mainly related to investment in Agility Fuel Solutions LLC

CONTRACT BALANCES FOR THE YEAR ENDED 31 DECEMBER 2018

(NOK 1 000)	2018	1 JANUARY 2018
Trade receivable	148 703	172 868
Contracts assets (accrued revenue)	13 486	2 190
Contract liabilities (incl. prepayment from customers)	47 185	33 304

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. The acquisition of a subsidiary resulted in increase in trade receivables of TNOK 3 543 in 2018 (Note 5). In 2018, TNOK 1 439 (2017 TNOK 662) was recognized as provision for expected credit losses on trade receivables.

Contract assets are initially recognized for revenue earned from installation services as receipt of consideration is conditional on successful completion of installation. Upon completion of installation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. The increase in contract assets in 2018 is the result of the increase in ongoing installation services at the end of the year.

Contract liabilities include short-term advances received for funded services & development and also paid not delivered goods to external customers. The outstanding balances of these accounts increased in 2018 due to the more activities in services & funded development projects.

PERFORMANCE OBLIGATIONS
Information related to the Group´s performance obligations and related revenue recognition is summarized below:

Sale of goods
The performance obligation is generally satisfied upon delivery of cylinders and other equipment. The normal credit term is 30 to 45 days upon delivery. Recognition of revenue at the point of delivery is only recognized for an amount of the consideration that reflects the estimated variable consideration the Group is expected to ultimately be entitled. The variable consideration is re-assessed at the end of each reporting period and recognized as (or when) the uncertainty is subsequently resolved, and is estimated based on the expected value approach.

Sale of services
The Group provides services in relation to reinspection and testing of products and non-recurring engineering and design or development. These may be sold separately or bundled together with the sale of goods. The Group has determined that these services should be accounted for as a separate performance obligation as the services are separately identifiable. The performance obligation is satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognizes revenue on the basis of the labour hours incurred relative to the total expected labour hours to complete the installation. When a contract includes separate performance obligations in relation to both sale of goods and installation, the consideration is allocated between the performance obligations based on observable stand-alone selling prices.

Sale of funded development contracts
The Group has entered into contracts with a limited number of customers for development services. As the inputs (raw materials, labour hours etc.) are integrated into a combined output, the combined product has been determined to constitute one performance obligation. Further, the customization process & integration significantly modifies the assets under construction until delivery.

The Group assessed that the performance obligation is satisfied over time because it has at all times an enforceable right to payment for performance completed to date, including a reasonable margin. Additionally, the asset has no alternative use for the Group as it is limited practically from readily directing the asset in its completed state, as the Group would suffer a significant loss from modifying the asset before it could be sold to another customer.

The Group measures progress based on costs incurred relative to the total expected costs to complete the project as this measurement most faithfully depicts the Group's progress towards complete satisfaction of the performance obligation.

BUSINESS SEGMENT DATA 2017 (RESTATED)

(NOK 1 000)	HEXAGON PURUS	HEXAGON MOBILE PIPELINE & OTHER	HEXAGON RAGASCO LPG	UNALLOCATED	ELIMINATION	CONSOLIDATED 2017
REVENUE FROM EXTERNAL CUSTOMERS:						
Sale of cylinders and eqipment	292 692	412 006	642 747	17 427		1 364 872
Sale of services and funded development	34 636	6 435	1 037	1 715		43 823
Internal transactions	20 304	11 108	10 535	46 444	-89 147	-756
Other operating income	0	0	0	21 458		21 458
Total revenue	**347 632**	**429 550**	**654 319**	**87 043**	**-89 147**	**1 429 397**
Operating profit for segment before depreciation/amortization (EBITDA) 1)	**15 312**	**14 939**	**143 964**	**-193**		**174 022**
Operating profit for segment (EBIT)	**-6 975**	**-4 180**	**125 699**	**-15 253**		**99 291**
Profit/loss from associates and joint ventures	-345			-16 322		-16 667
Net financial items						34 397
Tax expense						-21 245
Profit/loss for the year						**69 472**
Segment assets 2)	**709 755**	**281 584**	**456 140**	**1 024 130**	**-80 311**	**2 391 298**
Segment liabilities	**742 750**	**716 626**	**358 492**	**160 501**	**-999 512**	**978 857**
Investments in assets for the year	4 563	8 065	55 369	10 615		78 611
Depreciation/amortization/ impairment	22 287	19 119	18 265	15 060		74 731

GEOGRAPHICAL INFORMATION 2017

(NOK 1 000)	EUROPE	NORTH AMERICA	SOUTH-EAST ASIA	MIDDLE EAST	OTHER	NORWAY	CONSOLIDATED 2017
Income divided among customer locations from external customers	680 217	405 089	57 355	193 287	12 281	81 170	1 429 397
Non-current assets 1)	488 404	84 254				239 230	811 888
Investments in assets for the year	4 268	8 065				66 278	78 611

1) Non-current assets for this purpose consists of property, plant & equipment and intangible assets
2) Unallocated is mainly related to investment in Agility Fuel Solutions LLC

NOTE 5 CHANGES IN THE GROUP'S STRUCTURE

ACQUISITION OF DIGITAL WAVE CORPORATION IN 2018
With effect from 30 November 2018 Hexagon Composites acquired Digital Wave Corporation. The company includes testing & requalification of high-pressure cylinders (Mobile Pipelines) and is located in Denver, Colorado in USA.
The fair value of the identifiable assets and liabilities of the company as at the date of acquisition were:

DIGITAL WAVE CORPORATION

(NOK 1 000)	FAIR VALUE RECOGNIZED ON ACQUISITION
ASSETS	
Property, plant and equipment	6 599
Intangible assets	18 864
Cash	980
Inventories	8 234
Deferred tax asset	0
Trade accounts receivable	3 543
Total assets	**38 219**
LIABILITIES	
Long term liabilities	0
Short term liabilities	4 521
Deferred tax liabilities	1 049
Total equity and liabilities	**5 570**
Net identifiable assets and liabilities at fair value	**32 649**
Goodwill	31 661
Purchase consideration	**64 310**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	980
Cash paid	-64 310

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

In the Group's profit for 2018, Digital Wave Corporation was included from the acquisition date.

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

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

NOTE 6 NET FINANCIAL ITEMS

(NOK 1 000)	2018	2017
Interest income	4 662	1 144
Unrealized gains from forward exchange contracts with actual gains or losses through profit and loss	1 142	0
Foreign exchange items	79 944	78 686
Total finance income	**85 748**	**79 831**
Loss on exchange items	58 565	90 202
Unrealized loss on forward exchange contracts and interest rate swaps with actual gains or losses through profit and loss	0	10 645
Cost of interest on loans etc.	9 772	8 986
Other finance expense	6 851	4 395
Total finance expense	**75 188**	**114 228**
Net financial items	**10 560**	**-34 397**

NOTE 7 TAX

TAX EXPENSE

(NOK 1 000)	NOTE	2018	2017
Income tax payable in the income statement		33 767	56 823
Change in deferred tax in income statement		-6 503	-78 068
Tax expense		**27 265**	**-21 245**
Income tax payable in the balance sheet		34 283	41 966
Prepaid tax overseas in the balance sheet	15	-2 641	-3 073
Settled tax overseas		2 126	17 930
Total income tax payable in the income statement		**33 767**	**56 823**
Nominal tax rates in Norway		**23 %**	**24 %**
Profit before tax		168 727	48 227
Tax based on nominal tax rate in Norway		38 807	11 575
Other differences relating to foreign subsidiaries		13 874	1 392
Share of profit/loss from associates		-4 132	4 000
Other non-taxable income and non-deductible expenses		-20 535	2 375
Effect of changes in tax rate		-750	-40 586
Tax expense		**27 265**	**-21 245**

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	BALANCE SHEET		CHANGE IN DEFERRED TAX IN INCOME STATEMENT	
(NOK 1 000)	**2018**	**2017**	**2018**	**2017**
DEFERRED TAX ASSET				
Pension	-115	-416	482	88
Loss carryforwards	-49 744	-24 806	-24 938	-19 001
Inventories and trade receivables	-2 268	-2 499	231	2 061
Derivatives	-945	-1 250	306	-1 250
Provisions for liabilities/other current liabilities	-10 838	-12 846	2 009	7 984
Other	-16 252	-13 446	-2 806	9 404
Deferred tax asset– gross	**-80 161**	**-55 264**	**-24 716**	**-714**
DEFERRED TAX LIABILITIES				
Property, plant & equipment	21 805	6 958	14 847	-9 525
Derivatives	0	0	0	-1 250
Provisions for liabilities/other current liabilities	163 596	149 559	14 037	-66 579
Deferred tax liabilities – gross	**185 400**	**156 517**	**28 884**	**-77 354**
Net recognized deferred tax liabilities/assets (-)	**105 239**	**101 253**	**4 167**	**-78 068**
Change in deferred tax from purchase of companies / OCI			-10 670	0
Net change in deferred tax in income statement			**-6 503**	**-78 068**
CARRYING AMOUNTS				
Deferred tax asset	-14 683	-7 639		
Deferred tax liabilities	119 923	108 892		
Net recognized deferred tax assets/deferred tax liabilities	**105 239**	**101 253**		

The effect of changes in tax rate for 2019 in Norway resulted in tax income in 2018 on MNOK -0.8 related to Norway.

The Group has a total loss carried forward of MNOK 241.9 (MNOK 118.2) as of 31 December 2018, of which MNOK 241.9 (MNOK 118.2) is related to foreign activities. The loss carried forward are indefinitely.

Deferred tax assets are recognized when it is probable that the Group will have sufficient taxable profit in subsequent periods to utilize the tax assets.

DEFERRED TAX RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE INCOME ARE AS FOLLOWS

(NOK 1 000)	**2018**	**2017**
Actuarial gains/losses, pensions	181	324
Derivatives	0	0
Total	**181**	**324**

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 recognized 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	2018	2017
PROFIT/LOSS FOR THE YEAR FLOWING TO HOLDERS OF ORDINARY SHARES			
Profit/loss for the year		**141 462**	**69 472**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING 31.12	17		
Ordinary shares issued 01.01		166 627 868	166 627 868
Own shares		-2 366 075	-1 166 075
Issued new shares		0	0
Outstanding number of shares 31.12		**164 261 793**	**165 461 793**
Weighted average number of shares outstanding 31.12		**164 861 793**	**165 461 793**
Profit/loss per share		**0.86**	**0.42**
DILUTED NUMBER OF SHARES OUTSTANDING 31.12	17		
Ordinary shares issued 01.01		166 627 868	166 627 868
Own shares		-2 366 075	-1 166 075
Issued new shares		0	0
Effect of employee options issued		3 675 000	3 465 000
Outstanding shares 31.12 adjusted for dilution effects		**167 936 793**	**168 926 793**
Weighted average number of shares outstanding 31.12 adjusted for dilution effects		**168 431 793**	**168 119 293**
Diluted profit/loss per share		**0.92**	**0.47**

NOTE 9 PAYROLL COSTS AND NUMBER OF EMPLOYEES

(NOK 1 000)	NOTE	2018	2017
Salaries/fees [1]		307 321	285 292
Bonus/profit-sharing		16 553	8 094
Pension expense, defined-benefit plans	18	1 481	768
Pension expense, defined-contribution plans	18	17 186	16 578
Other social security costs		54 488	34 717
Payroll costs [2]		**397 030**	**345 449**
Average number of full-time equivalents:		**427**	**378**
GROUP MANAGEMENT		12	10
HEXAGON PURUS			
Norway		12	12
Germany		7	7
USA		124	100
HEXAGON MOBILE PIPELINE AND OTHER			
USA		125	95
Germany		2	2
HEXAGON RAGASCO LPG			
Norway		138	143
USA		3	3
Russia		4	5
Sweden		0	1
Total of		**427**	**378**

1) Capitalized payroll costs related to technology development projects amounted to MNOK 2.1 in 2018 and MNOK 2.6 in 2017.
2) Payroll costs in 2017 includes NOK 16.8 million of funding credits.

NOTE 10 PROPERTY, PLANT & EQUIPMENT

(NOK 1 000)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FIXTURES & FITTINGS, VEHICLES	ASSETS UNDER CONSTR-UCTION	2018 TOTAL
COST OF ACQUISITION					
Cost of acquisition 01.01.2018	57 445	556 245	71 706	31 212	716 608
Additions	6 578	80 403	4 495	66 678	158 154
Transfer from assets under construction	0	1 779	65 330	-67 109	0
Disposals/scrap	59	-4 851	-863	-21	-5 675
Additions from purchase of companies	184	6 305	109	0	6 599
Translation differences	679	7 764	975	38	9 456
Cost of acquisition 31.12.2018	**64 945**	**647 645**	**141 752**	**30 799**	**885 141**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Accumulated depreciation 01.01.2018	27 164	396 684	32 209	0	456 058
Depreciation for the year	4 754	35 215	12 472	0	52 441
Impairment	3 618	13 256	255	0	17 129
Disposals/scrap	0	-5 398	-158	0	-5 556
Translation differences	420	5 713	479	0	6 612
Accumulated depreciation and impairment 31.12.2018	**35 956**	**445 471**	**45 256**	**0**	**526 684**
Net carrying amount as of 31.12.2018	**28 989**	**202 174**	**96 495**	**30 799**	**358 457**
Of which pledged					0

Amortization rate	5-10 %	7-33 %	10-33 %	None
Useful life	10-20 years	3-15 years	3-10 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

(NOK 1 000)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FIXTURES & FITTINGS, VEHICLES	ASSETS UNDER CONSTR-UCTION	2017 TOTAL
COST OF ACQUISITION					
Cost of acquisition 01.01.2017	52 618	534 459	66 466	22 901	676 445
Additions	5 734	24 227	18 162	20 706	68 830
Transfer from assets under construction	-407	3 871	1 823	-5 288	0
Disposals/scrap	-34	-1 682	-14 340	-6 711	-22 767
Additions from purchase of companies	0	0	0	0	0
Translation differences	-467	-4 631	-406	-396	-5 899
Cost of acquisition 31.12.2017	**57 445**	**556 245**	**71 706**	**31 212**	**716 608**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Accumulated depreciation 01.01.2017	23 056	362 661	23 126	7 051	415 895
Depreciation for the year	4 155	35 821	9 913	0	49 889
Impairment	0	637	106	0	743
Disposals/scrap	-14	0	-1 011	-6 711	-7 736
Translation differences	-33	-2 435	75	-339	-2 732
Accumulated depreciation and impairment 31.12.2017	**27 164**	**396 684**	**32 209**	**0**	**456 058**
Net carrying amount as of 31.12.2017	**30 280**	**159 561**	**39 497**	**31 212**	**260 550**
Of which pledged					0
Amortization rate	5-10 %	7-33 %	10-33 %	None	
Useful life	10-20 years	3-15 years	3-10 years		
Depreciation method	Straight-line	Straight-line	Straight-line		

1) Assets under construction. Hexagon Lincoln, Hexagon Ragasco and Hexagon xperion have assets under construction totalling NOK 30 799 thousand (31 212 thousand).

2) Construction loan interest expenses
No construction loan interest expenses were recognized in 2017 or 2018.

3) The calculated residual value on property, plant & equipment totalled NOK 6 000 thousand as of 31.12.2018 and NOK 6 000 thousand as of 31.12.2017.

4) Impairment
In 2018 the Group recognized an impairment of NOK 17 129 thousand. The impairment was principally related to specific production equipment. The impairment was recorded as a part of the annual impairment review. The productivity of the machines was deemed not to be as high as originally anticipated and therefore an impairment was recognized.
In 2017 the Group recognized an impairment of NOK 743 thousand. The impairment was principally related to specific pieces of equipment. The impairment was recorded as a part of the annual impairment review. The productivity of the machines was deemed not to be as high as originally anticipated and therefore an impairment was recognized.

NOTE 11 INTANGIBLE ASSETS

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

(NOK 1 000)	GOODWILL	PATENTS AND LICENCES	TECHNOLOGY AND DEVELOPMENT	CUSTOMER RELATION-SHIPS	2018 TOTAL
COST PRICE					
Opening balance 01.01.2018	401 433	16 364	107 946	128 911	654 653
Additions from purchase of companies	31 661	0	18 864	0	50 526
Additions	0	3 641	14 998	0	18 639
Disposals	0	0	0	0	0
Translation differences	4 479	30	0	1 212	5 721
Cost of acquisition 31.12.2018	**437 574**	**20 034**	**141 808**	**130 122**	**729 539**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Opening balance 01.01.2018	0	12 963	55 241	35 111	103 315
Depreciation for the year	0	1 898	9 522	12 977	24 397
Impairment	256	0	0	0	256
Disposals	0	0	0	0	0
Translation differences	18	39	0	654	710
Accumulated depreciation and impairment 31.12.2018	**274**	**14 900**	**64 762**	**48 742**	**128 678**
Net carrying amount 31.12.2018	**437 300**	**5 134**	**77 046**	**81 380**	**600 861**
Amortization rate	None	6-34 %	5-20 %	11-14 %	
Useful life	Indefinite	3-17 years	5-20 years	7-9 years	
Depreciation method	None	Straight-line	Straight-line	Straight-line	

Addition of MNOK 50.5 relates to the acquisition of Digital Wave Corporation (see note 5).

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

(NOK 1 000)	GOODWILL	PATENTS AND LICENCES	TECHNOLOGY AND DEVELOPMENT	CUSTOMER RELATION-SHIPS	2017 TOTAL
COST PRICE					
Opening balance 01.01.2017	373 213	16 974	98 406	120 449	609 042
Additions from purchase of companies	0	0	0	0	0
Additions	0	241	9 540	0	9 781
Disposals	0	-1 476	0	0	-1 476
Translation differences	28 220	624	0	8 461	37 306
Cost of acquisition 31.12.2017	**401 433**	**16 364**	**107 946**	**128 911**	**654 653**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Opening balance 01.01.2017	0	9 533	47 118	21 554	78 204
Depreciation for the year	0	3 307	8 123	12 669	24 099
Translation differences	0	123	0	888	1 012
Accumulated depreciation and impairment 31.12.2017	**0**	**12 963**	**55 241**	**35 111**	**103 315**
Net carrying amount 31.12.2017	**401 433**	**3 400**	**52 705**	**93 800**	**551 338**
Amortization rate	None	6-34 %	5-20 %	11-14 %	
Useful life	Indefinite	6-17 years	5-20 years	7-9 years	
Depreciation method	None	Straight-line	Straight-line	Straight-line	

Additions for this year and the previous year primarily relate to technological developments in the Hexagon Mobile Pipeline and Hexagon Purus segments. Additions from purchase of companies in 2018 relate to the acquisition of Digital Wave Corporation (see note 5). The impairment of NOK 256 thousand is related to a small adjustment in Hexagon US Holdings Inc.

Research & development costs totalling MNOK 48.2 (MNOK 40.8) were expensed in 2018. The Group has received government grants of MNOK 19.2 (MNOK 16.8) in 2018. MNOK 18.8 (MNOK 16.6) has been offset against research and development costs while MNOK 0.4 (MNOK 0.2) is presented as income.

The Group has recognized 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, two CGU's have been identified which capitalized 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, capitalized 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 four 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 2019, as well as forecasts up to and including 2023. Cash flow projections for subsequent years will be the same as the cash flow for 2023, 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 8.6% after 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)	**2018**	**2017**
Hexagon Ragasco LPG	32 350	32 350
Hexagon US Holdings Inc.	32 438	615
Hexagon xperion GmbH	372 512	368 468
Total goodwill	**437 300**	**401 433**

The assumptions that were used as a basis for the calculations made at the end of 2018 were met by good margins for Hexagon Ragasco AS, Hexagon US Holdings Inc. and Hexagon xperion GmbH. The increase in 2018 for Hexagon US Holdings Inc. is due to acquisition of Digital Wave Comporation on 30 November 2018.

OTHER ASSUMPTIONS FOR THE IMPAIRMENT TESTING OF GOODWILL
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 2018. In the prognosis period, an increase in the operating profit equal to the general growth in the economy is expected.

SENSITIVITY ANALYSES FOR THE GOODWILL
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, sensitivity 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 Hexagon Ragasco Hexagon Lincoln and Hexagon xperion goodwill exceed the recognized value by a good margin, and a reasonable change in key assumption (+/- 0.5% for WACC and +/- 2.0% on EBITDA margin) would not cause the carrying amount to exceed value in use.

NOTE 12 OTHER NON-CURRENT ASSETS

(NOK 1 000)	2018	2017
Other non-current assets	367	557
Total other non-current assets	**367**	**557**

NOTE 13 INVENTORIES

(NOK 1 000)	2018	2017
Raw materials and consumables	146 765	136 335
Work in progress	54 565	37 723
Finished goods	93 877	68 294
Total inventories	**295 207**	**242 351**
Recognized cost of obsolete inventory	**7 143**	**18 167**
Provision for obsolete inventory in balance sheet	-35 740	-18 892
Carrying amount of holdings used as pledged assets	**0**	**0**

NOTE 14 TRADE RECEIVABLES

(NOK 1 000)	2018	2017
Trade receivables	154 227	179 311
Provisions for loss	-5 524	-6 443
Trade receivables after provision for losses	**148 703**	**172 868**
Carrying amount of trade receivables used as pledged assets	**0**	**0**

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).

CHANGES IN THE PROVISION FOR LOSSES ARE AS FOLLOWS

(NOK 1 000)	2018	2017
Opening balance 1 January	6 443	7 716
Additions from purchase of companies	0	0
Provision for losses for the year	1 439	662
Actual losses during the year	-2 607	-1 845
Translation differences	249	-90
Closing balance 31 December	**5 524**	**6 443**

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
2018	154 227	84 369	33 809	7 904	5 198	22 949
2017	179 311	64 630	50 431	40 030	6 624	17 596

NOTE 15 OTHER CURRENT ASSETS

(NOK 1 000)	2018	2017
Earned, not invoiced income	0	0
Prepaid expenses	14 676	15 540
VAT due	11 022	8 621
Prepaid tax overseas	2 641	3 073
Other [1]	23 931	38 004
Total other current assets	**52 270**	**65 238**

1) Other in 2018 included receivables from the Skattefunn tax incentive scheme and other grants of NOK 14 536 thousand (31 961 thousand).

NOTE 16 BANK DEPOSITS, CASH AND CASH EQUIVALENTS

(NOK 1 000)	2018	2017
Cash at bank and in hand	138 531	171 605
Bank deposits, cash and cash equivalents	**138 531**	**171 605**
Bank overdrafts	0	0
Cash & cash equivalents in the cash flow analysis	138 531	171 605
Undrawn Group overdraft facility	85 000	85 000
Undrawn loan facilities	1 483 751	550 909
Restricted funds included in cash & cash equivalents [1)]	6 519	6 400

1) Restricted tax withholdings

NOTE 17 SHARE CAPITAL AND SHARE PREMIUM

(NOK 1 000)	2018	2017
Ordinary shares of NOK 0.10 each	166 627 868	166 627 868
Total number of shares	**166 627 868**	**166 627 868**

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)	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
ORDINARY SHARES						
Issued and paid 1 January	166 627 868	166 627 868	16 663	16 663	727 639	727 639
Issued new share capital	0	0	0	0	0	0
Transaction cost					0	0
Issued and paid 31 December	**166 627 868**	**166 627 868**	**16 663**	**16 663**	**727 639**	**727 639**
OWN SHARES						
1 January	1 166 075	1 166 075	117	117		
Change during period	1 200 000	0	120	0		
31 December	**2 366 075**	**1 166 075**	**237**	**117**		

As of 31.12.2018 the Company had 2 366 075 own shares (1 166 075). The cost of acquisition of NOK 57 939 thousand (NOK 27 263 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 31.12.2018

	NUMBER OF SHARES	SHAREHOLDING
Mitsui & Co., Ltd.	41 666 321	25.01 %
Flakk Composites AS [1)]	29 002 667	17.41 %
MP Pensjon PK	13 280 815	7.97 %
Bøckmann Holding AS	9 000 000	5.40 %
Verdipapirfondet Odin Norge	7 038 064	4.22 %
Nødingen AS	6 000 000	3.60 %
Swedbank Robur Smabolagsfond	4 340 000	2.60 %
J.P. Morgan Bank Luxembourg S.A.	3 675 685	2.21 %
Skandinaviska Enskilda Banken AB, SFMA1	3 648 330	2.19 %
Credit Suisse AG, Dublin Branch	3 158 714	1.90 %
Storebrand Norge I Verdipapirfond	2 631 596	1.58 %
Hexagon Composites ASA (own shares)	2 366 075	1.42 %
The Bank of New York Mellon SA/NV (Nominee)	1 862 964	1.12 %
VPF Eika Spar	1 416 258	0.85 %
Verdipapirfond Alfred Berg Norge	1 310 445	0.79 %
Verdipapirfondet Eika Norge	1 288 133	0.77 %
Flakk Invest AS [1)]	1 200 000	0.72 %
VPF Nordea Kapital	1 174 924	0.71 %
VPF Nordea Avkastning	996 111	0.60 %
Verdipapirfond Alfred Berg Aktiv	907 612	0.54 %
Total 20 largest shareholders	**135 964 714**	**81.60 %**
Remainder	30 663 154	18.40 %
Total	**166 627 868**	**100.00 %**

1) These shareholdings are controlled by the Chairman of the Board, Knut Flakk.

OWNERSHIP STRUCTURE

The total number of shareholders as of 31.12.2018 was 2 535 of whom 189 were foreign shareholders. The number of shares held by foreign shareholders was 65 602 158 or 39.4%.

The Board proposes to the general assembly that there will be no dividend to be paid for the fiscal year 2018. The dividend for the fiscal year 2017 was NOK 0.30 per share, NOK 49 639 thousand.

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

The Board (unanimous) has a mandate to increase share capital by up to NOK 1 666 279 by issuing up to 16 662 787 shares (par value NOK 0.10). This authorization was valid until the next ordinary general assembly. The Board exercised this mandate on 27 February 2019 and placed an additional 16 662 780 new shares.

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. Below is a summary table of the pension cost in the Group for the various pension plans. Further details on the various plans is provided below:

SUMMARY OF PENSION COST IN THE GROUP

(NOK 1 000)	2018	2017
Defined contribution pension plan	15 247	14 810
Defined benefit pension plan in Norway	1 481	768
Multi-employer pension plan in Norway (new AFP)	1 939	1 770
Total	**18 667**	**17 348**

DEFINED CONTRIBUTION PENSION PLANS IN THE GROUP

The defined contribution pension plans in the Norwegian companies has contribution rates from 7% 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 from 7,1 G to 12 G. As of 31.12.2018 the Norwegian defined contribution pension plans had 155 members.

Hexagon Lincoln Inc and Hexagon 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 31.12.2018, 172 members were covered by the plan.

The table below provides the expensed contributions in the defined contribution plans:

DEFINED CONTRIBUTION PLANS EXPENSES

(NOK 1 000)	2018	2017
Defined contribution pension plans - Norway	9 721	9 054
Defined contribution pension plans - USA	5 526	5 468
Defined contribution pension plans - Sweden	0	288
Total	**15 247**	**14 810**

LIABILITIES FROM DEFINED BENEFIT PENSION PLAN IN THE GROUP

The obligation for the defined benefit pension plans is calculated on a straight-line basis. Unrealized gains and losses resulting from changes in actuarial assumptions are recognized in other comprehensive income. Net accumulated actuarial gains/losses after tax as of 31.12.2018 amounted to NOK -19 726 thousand, compared with NOK -19 121 thousand as of 31.12.2017. As of 31.12.2018 the Groups defined benefit plans had 17 members (19 members in 2017).

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

(NOK 1 000)	2018	2017
Current service cost	488	444
Interest cost on benefit obligation	407	444
Expected return on plan assets	-306	-390
Administrative costs	176	199
Employer's contribution	77	71
Recognised effect of change of plan	639	0
Total pension expenses	**1 481**	**768**

PENSION LIABILITIES AND PLAN ASSETS

(NOK 1 000)	2018	2017
Present value of funded obligations	19 258	19 604
Fair value of plan assets	-17 624	-18 186
Employer's contributions on net pension liabilities	64	36
Net liability recognized in balance sheet 31 December	**1 698**	**1 454**

(NOK 1 000)	2018	2017
Net liability recognized in balance sheet 1 January	1 454	455
Translation differences	13	97
Recognized benefit expense	1 481	768
Benefits paid	-2 036	-1 218
Actuarial gains and losses arising from changes in financial assumptions	105	1 268
Actuarial gains and losses arising from changes in demographic assumptions	681	84
Net liability recognized in balance sheet 31 December	**1 698**	**1 454**
Retirement benefit obligation	**1 698**	**1 838**
Plan assets	**0**	**383**

CHANGE IN BENEFIT LIABILITY DURING YEAR

(NOK 1 000)	2018	2017
Benefit obligation 1 January	19 604	17 699
Current service cost	488	444
Interest expense	407	444
Actuarial gains/losses (-)	605	1 107
Pension payments	-290	-437
Translation differences	50	348
Effect change of plans	-1 607	0
Retirement benefit obligation 31 December	**19 258**	**19 604**

Expected premium payment next year is NOK 2 197 thousand.

CHANGE IN FAIR VALUE OF PLAN ASSETS DURING THE YEAR

(NOK 1 000)	2018	2017
Plan assets 1 January	18 186	17 155
Return on plan assets	306	390
Actuarial gains/losses (-)	-81	-77
Administrative costs	-176	-199
Pension premiums	1 718	1 044
Paid pensions	-186	-378
Translation differences	37	251
Effect change of plans	-2 180	0
Plan assets 31 December	**17 624**	**18 186**

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

	2018		2017	
(NOK 1 000)	ALLOCATION	AMOUNT	ALLOCATION	AMOUNT
Shares	12 %	2 133	10 %	1 782
Bonds/certificates	78 %	13 765	80 %	14 512
Property	9 %	1 604	9 %	1 728
Other	1 %	123	1 %	164
Total	**100 %**	**17 624**	**100 %**	**18 186**

The actual return on plan assets in 2018 was NOK 225 thousand (313 thousand in 2017), allowing for previous years' actuarial gains/losses.

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

	2018		2017	
(NOK 1 000)	NORWAY	GERMANY	NORWAY	GERMANY
Discount rate	2.60 %	2.19 %	2.30 %	2.16 %
Return on plan assets	2.60 %	2.19 %	2.30 %	2.16 %
Salary increases	2.75 %	1.50 %	2.50 %	2.00 %
Pension increases	0.80 %	0.00 %	0.40 %	0.00 %
Adjustment of national insurance base rate	2.50 %	1.50 %	2.25 %	1.50 %
Mortality table	K2013 BE	RT Heubech 2005G	K2013 BE	RT Heubech 2005G

The Group has used the Norwegian covered bonds (OMF) as basis for the discount rate as of 31 December for both 2018 and 2017 for the Norwegian plans.

MULTI-EMPLOYER PENSION PLAN IN NORWAY

150 (155) of the Norwegian employees is a member of a new "agreement-based early retirement plan" (new AFP). 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 obligation recognized in the balance sheet. Premiums is 2.5% (2.5% in 2017) for salaries in the range 1.0 - 7.1 times the national insurance base rate (G), and is expected to increase in the coming years. Total contribution for the arrangement were NOK 1 939 thousand in 2018 and NOK 1 770 thousand in 2017. Expected premium for 2019 is NOK 1 987 thousand.

NOTE 19 PROVISIONS

(NOK 1 000)	2018	2017
Balance 1 January	37 845	47 168
Additions from purchase of companies	0	0
Provisions for year	18 737	23 405
Translation differences	606	137
Provisions used during year	-23 066	-32 865
Balance 31 December	**34 122**	**37 845**

The Group seeks to minimize the level of warranty or other claims from third parties through a diligent focus on quality. The Group also seeks to consistently recognize any potential impact of unanticipated events. Provisions are made for both general and, if required, specific warranty claims on Low-Pressure and High-Pressure cylinders. Such provisions are typically based on i.) historical warranty costs levels for equivalent products and services, ii.) our assessment of any ongoing third party legal disputes or quality related matters, and iii.) a forward view based on the changing levels and complexity of our business activities within High and Low-Pressure business areas.

Legal Processes
Composites Scandinavia AB have appealed a decision from The Swedish Civil Contingencies Agency, MSB, regarding a withdrawal of specific cylinders. The cylinders are no longer in production and have not been sold since 2012. The products have met the relevant requirements when placed on the market and, according to MSB's investigation, still meet those requirements. As the decision is appealed, it has no legal effect as per 19 March 2019.

NOTE 20 NON-CURRENT INTEREST-BEARING LIABILITIES

				CARRYING AMOUNT	
(NOK 1 000)	INTEREST RATE CONDITIONS	CURRENCY	MATURITY	2018	2017
UNSECURED					
Bank loan (bullet)	Euribor 3 month + margin	EUR	30.09.2021	0	362 535
Total unsecured non-current liabilities				**0**	**362 535**
SECURED					
Bank loan (bullet)	Euribor 3 month + margin	EUR	30.09.2021	516 163	0
Ohio loan	Fixed interest rate	USD	30.06.2018	0	12 188
Vehicle loan	Fixed interest rate	USD	01.08.2019	13	150
Obligations under finance leases	Libor + margin	USD	01.11.2019	3 437	5 132
Obligations under finance leases	Euribor + margin	EUR	31.05.2018	0	2 940
Obligations under finance leases	Euribor + margin	EUR	30.09.2019	2 318	3 954
Total secured non-current liabilities				**521 932**	**24 362**
Total non-current liabilities				521 932	386 897
1st year's instalments, non-current liabilities				-5 769	-19 494
Total non-current liabilities, not including 1st year's instalments				**516 163**	**367 403**

ESTIMATED REPAYMENT STRUCTURE FOR NON-CURRENT LIABILITIES (NOK 1 000) AS OF 31.12.2018

2019	2020	2021	2022	2023	THEREAFTER
5 769	0	516 163	0	0	0

The current financing facility is a bilateral facility with DNB Bank. The overall size of the facility is NOK 1 billion, comprising a main revolving credit with overdraft facility of NOK 600 million and an optional ancillary facility of NOK 400 million. There are no breaches of the financial covenants under the financing facility agreements.

On 8 November 2018, the Company executed a commitment with DNB bank for a MUSD 125.0 bridge facility for the purposes of financing the acquisition of the remaining interests in Agility Fuel Solutions (see Note 29). This facility was drawn on completion of the acquisition on 4 January 2019. In concurrence with the transaction the revolving credit facility stated above was amended to include the introduction of further share pledges indirectly or directly on the Group's German and US subsidiaries. This is in addition to share pledges registered in 2018 on the Norwegian Group subsidiaries. On 7 March 2019 the Group completed a new senior unsecured bond issue of NOK 1.1 billion with maturity in March 2023 and a coupon of 3 month NIBOR + 3.75% p.a. with quarterly interest payments. Settlement date for the bond issue was 15 March 2019, and the proceeds were used to take out the Bridge loan facility. An application will be made for the bonds to be listed on Oslo Stock Exchange.

RECONCILIATION FOR LIABILITIES ARISING FROM FINANCING ACTIVITIES

(NOK 1 000)	FINANCIAL LIABILITIES	FINANCIAL LEASING OBLIGATIONS	TOTAL
Liabilities 1 January 2017	**422 085**	**23 691**	**445 776**
Cash flow from financing activities	-78 296	-12 130	-90 427
Exchange differences	30 679	465	31 144
Additions financial liabilities	0	0	0
Other transactions without cash settlement	403	0	403
Liabilities 31 December 2017	**374 871**	**12 025**	**386 897**
Liabilities 1 January 2018	**374 871**	**12 025**	**386 897**
Cash flow from financing activities	128 347	-6 238	122 109
Exchange differences	12 537	-18	12 518
Additions financial liabilities	0	0	0
Other transactions without cash settlement	408	0	408
Balance 31 December 2018	**516 163**	**5 769**	**521 932**

NOTE 21 SHORT-TERM INTEREST-BEARING LOANS

(NOK 1 000)	2018	2017
SECURED		
Current interest-bearing liabilities	0	0
1st year’s instalments, non-current interest-bearing liabilities	5 769	19 494
Total	**5 769**	**19 494**

Current short-term interest-bearing debt is subject to the same financial terms as the secured non-current interest-bearing debt disclosed in note 20. The overdraft facility in Norway is subject to NIBOR + margin. In addition to this is a limit provision.

As at 31.12.2018 the Group had not drawn on these facilities.

NOTE 22 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

(NOK 1 000)	2018	2017
Trade payables	202 653	151 130
Forward exchange contracts	4 294	5 436
Public duties payable	16 710	13 836
Accrued expenses and other current liabilities	91 621	117 343
Earn-out obligation	1 860	0
Total	**317 138**	**287 744**

NOTE 23 LEASES

THE GROUP AS LESSEE / FINANCIAL LEASES

As of 31.12.2018 The Group has finance lease contracts for machinery.

ASSETS HELD UNDER FINANCIAL LEASES

(NOK 1 000)	2018	2017
Plant and equipment	34 764	33 751
Accumulated depreciation	-26 966	-18 780
Net carrying amount	**7 798**	**14 971**
OVERVIEW OF FUTURE MINIMUM LEASE PAYMENTS		
Next year	6 179	7 699
1 to 5 years	0	4 976
Later than 5 years	0	0
Future minimum lease payments	**6 179**	**12 676**
PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS		
Which includes:		
- current liabilities	5 769	4 911
- non-current liabilities	0	7 115

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)	2018	2017
Ordinary lease payments	32 090	29 622
Total	**32 090**	**29 622**

FUTURE MINIMUM LEASE PAYMENTS RELATING TO FIXED TERM LEASES FALL DUE AS FOLLOWS:

Not later than 1 year	46 598
1 to 5 years	136 809
Later than 5 years	143 443
Total	**326 850**

The Group has entered into some minor short-term leasing agreement for mobile pipeline systems to customers. The carrying amount of assets leased to others under operating leases are as follows:

THE GROUP AS A LESSOR - OPERATING LEASES

(NOK 1 000)	2018	2017
Plant and eqipment	52 330	0
TOTAL	**52 330**	**0**
Accumulated depreciation	436	0
Booked value	**51 894**	**0**

All leases are on short-term and the future minimum lease payment related to the fixed assets in 2019 are MNOK 4.4.

NOTE 24 FINANCIAL INSTRUMENTS

FINANCIAL RISK

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operation. The Group's principal financial assets include trade receivables, cash and cash equivalents that derive directly form its operations. The Group use some financial derivatives for hedging purposes.

The Group is exposed to interest rate risk, liquidity risk, currency risk and credit risk. The Group's management regularly evaluates these risks and defines guidelines on appropriate financial risk governance framework for the Group. Procedures for risk management are adopted by the board and carried out by the chief financial officer in close cooperation with the subsidiaries.

The Group may use financial instruments to hedge risks associated with interest rate and foreign currency fluctuations. The Group uses derivative financial instruments to minimize 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 31.12.2018

(NOK 1 000)	DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS THROUGH PROFIT OR LOSS	EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OCI	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OCI	FINANCIAL INSTRUMENTS AT AMORTISED COST	TOTAL
ASSETS					
Other non-current assets				367	367
Trade receivables				148 703	148 703
Bank deposits, cash and cash equivalents				138 531	138 531
Total financial assets	**0**	**0**	**0**	**287 601**	**287 601**
LIABILITIES					
Non-current interest-bearing liabilities				516 163	516 163
Short-term loans				5 769	5 769
Forward exchange contracts	4 294				4 294
Trade payables and other current liabilities				202 653	202 653
Total financial liabilities	**4 294**	**0**	**0**	**724 586**	**728 879**

THE GROUP HAS THE FOLLOWING FINANCIAL ASSETS AND LIABILITIES DIVIDED INTO DIFFERENT CATEGORIES FOR ACCOUNTING TREATMENT AND RECONCILED AGAINST THE BALANCE SHEET ITEMS 31.12.17

(NOK 1 000)	DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS THROUGH PROFIT OR LOSS	EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OCI⁾	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OCI	FINANCIAL INSTRUMENTS AT AMORTISED COST	TOTAL
ASSETS					
Other non-current assets				557	557
Trade receivables				172 868	172 868
Bank deposits, cash and cash equivalents				171 605	171 605
Total financial assets	**0**	**0**	**0**	**345 030**	**345 030**
LIABILITIES					
Non-current interest-bearing liabilities				367 403	367 403
Short-term loans				19 494	19 494
Forward exchange contracts	5 436				5 436
Trade payables and other current liabilities			0	151 130	151 130
Total financial liabilities	**5 436**	**0**	**0**	**538 027**	**543 462**

(I) CREDIT RISK

The Group is mainly exposed to credit risk associated with trade receivables and contract assets. The Group minimizes its exposure to credit risk by ensuring that all parties requiring credit (primarily trade receivables) 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 minimized by measures such as use of credit insurance. The Norwegian subsidiaries Hexagon Ragasco AS and Hexagon Raufoss AS have credit insurance which covers parts of the companies' receivables.

Trade receivables in foreign subsidiaries amounted to NOK 89 191 thousand (76 174 thousand). These do not have credit insurance, however are partly covered through Letter of Credits and prepayments from customers.

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), contract assets (see note 4) and other current assets (see note 15).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for gropings of various customer segments with similar loss patterns (i.e. geographical region, product type, customer type and rating, coverage by letter of credit or prepayments or other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. Note 14 disclose the ageing of trade receivables.

(II) INTEREST RATE RISK

The Group is exposed to interest rate risk from its financing activities (see notes 20 and 21). The majority 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 not be below 0 years and must not exceed 10 years. The Group may 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. Following the repayment of all outstanding loan balances in April 2016 and the subsequent modification of facility terms the Group exited its remaining interest rate hedging positions. At the end of September 2016, the modified bank loan facility was drawn in Euro, with negative EURIBOR base rates. The Group is currently evaluating a new hedging position but remains unhedged as at 31.12.2018 and as of 31.12.2017.

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 (if any) 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)
2018	+50	-2 009	0
	-50	2 009	0
2017	+50	-1 470	0
	-50	1 470	0

Based on the interest bearing liabilities which existed as of 31 December 2018, an interest rate increase of 1% would reduce profit after tax by NOK 4 019 thousand (2 940 thousand).

THE AVERAGE EFFECTIVE INTEREST RATE ON FINANCIAL LIABILITES WAS AS FOLLOWS

	2018	2017
Bank overdrafts	2.5 %	2.5 %
Bank loan	2.0 %	1.6 %
Finance leases	1.25 to 4.88 %	1.25 to 4.88 %

(III) LIQUIDITY RISK

Liquidity risk is the risk of the group not being in a position to fulfil its financial liabilites 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 liabilities when they fall due, both under normal and unexpected circumstances, without risking unacceptable losses or damaging the group's reputation. Undrawn 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):

31.12.2018 REMAINING PERIOD

(NOK 1 000)	LESS THAN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
Repayment of bank loan				517 312		517 312
Interest on loan		1 940	5 820	13 579		21 339
Other term term liabilities (earn-out and other)			2 378			2 378
Forward exchange contracts		909	1 828	1 556		4 294
Financial Leases		1 442	4 327			5 769
Interest on Financial leases		71	214			285
Trade payables	131 725	70 929				202 653
Total	**131 725**	**75 291**	**14 566**	**532 447**	**0**	**754 029**

31.12.2017 REMAINING PERIOD

(NOK 1 000)	LESS THAN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
Repayment of bank loan				364 091		364 091
Interest on loan		1 365	4 096	15 019		20 480
Other long term liabilities (earn-out and other)				113 675		113 675
Forward exchange contracts		876	2 574	1 986		5 436
Financial Leases		1 878	5 429	4 868		12 175
Interest on Financial leases		90	270	298		658
Other Loans		3 047	9 141			12 188
Interest on other loans		66	66			133
Trade payables	98 235	52 896				151 130
Total	**98 235**	**60 218**	**21 576**	**499 937**	**0**	**679 965**

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

(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)
2018	+5 %	-9 946	-55 653
	-5 %	9 946	55 653
2017	+5 %	-5 686	-50 669
	-5 %	5 686	50 669

	MOVEMENT OF NOK AGAINST EUR	EFFECT ON PROFIT/LOSS AFTER TAX	EFFECT ON OTHER INCOME AND EXPENSES AFTER TAX (NOK 1 000)
2018	+5 %	2 745	1 330
	-5 %	-2 745	-1 330
2017	+5 %	2 519	3 422
	-5 %	-2 519	-3 422

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 31.12.2018, 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 31.12.2018
Forward contracts to hedge expected future sales [1]	EUR/NOK	9 240/89 848	2019	9.37 - 10.09	-2 737
Forward contracts to hedge expected future sales [1]	EUR/NOK	5 820/57 773	2020	9.81 - 10.26	-1 556
Total					**-4 294**

1) The forward contracts do not qualify for hedge accounting under IFRS 7

As of 31.12.2017, 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 31.12.2017
Forward contracts to hedge expected future sales [1]	EUR/NOK	9 600/91 468	2018	9.24 - 9.97	-3 450
Forward contracts to hedge expected future sales [1]	EUR/NOK	6 200/60 190	2019	9.37 - 10.09	- 1 986
Total					**-5 436**

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

Hedge of net investments in foreign operations
An intercompany interest-bearing loan from Hexagon Composites ASA at 31 December 2018 of USD 55 091 thousand (USD 55 091 thousand at 31 December 2017) has been designated as a hedge of the net investments in the subsidiary in the United States, Hexagon USA Holdings Inc. This borrowing is being used to hedge the exposure to the USD foreign exchange risk on this investment. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments of the subsidiary.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. Hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the loan. As of 31 December 2018 and 31 December 2017 the value of the loan was lower than the amount of the net investment and therefore the full value of the loan designated for hedging was effective.

At 31 December 2018 there is recognized a hedging gain on NOK 20 501 thousand (hedging loss on NOK -7 432 thousand at 31 December 2017) in OCI translation differences when translating foreign activities equal to the change in fair value used for measuring effectiveness. Accumulated OCI effect in equity at 31 December 2018 is NOK 13 069 thousand. There is no ineffectiveness recognized in profit and loss.

(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. For the derivatives, the fair value is confirmed by the financial institution with which the Company has entered into the contract.

The following of the Group's financial instruments are not measured at fair value: Cash & cash equivalents, trade receivable, other current receivables and payables and bank overdrafts. These items are recognized 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 recognized in accordance with amortized cost.

The carrying amount of cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade receivables and other current receivables and payables is approximately equal to fair value since they are short term and entered into on “normal” terms and conditions. The carrying amount of bank overdrafts are assessed to be approximately equal to fair value because the floating interest rate are adjusted to reflect current conditions.

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

		2018		2017	
(NOK 1 000)	LEVEL	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
FINANCIAL ASSETS					
Other non-current assets		367	367	557	557
Trade receivables		148 703	148 703	172 868	172 868
Bank deposits, cash and cash equivalents		138 531	138 531	171 605	171 605
FINANCIAL LIABILITIES					
Bank loans	2	516 163	517 312	362 535	364 091
Finance leases	2	0	0	4 868	4 868
Other long term liabilities (earn-out and other)		2 378	2 378	113 675	113 675
Short-term leases		5 769	5 769	7 306	7 306
Short-term loans		0	0	12 188	12 188
Forward exchange contracts	2	4 294	4 294	5 436	5 436
Trade payables and other current liabilities		202 653	202 653	151 130	151 130

The management assessed that the fair values of bank deposits, cash and cash equivalents, trade receivables, other non-current assets, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the Group's interest-bearing bank loans and finance leases are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31.12.2018 and 31.12.2017 was assessed to be insignificant.

The Group enters into foreign exchange contracts with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing models using present value calculations.

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

(NOK 1 000)	2018	2017
Level 1: Based on prices in an active market	0	0
Level 2: Observable market data	-4 294	- 5 436
Level 3: Other than observable market data	0	0
Total financial instruments at fair value	**-4 294**	**- 5 436**

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

(NOK 1 000)	2018	2017
Level 1: Based on prices in an active market	0	0
Level 2: Observable market data	0	0
Level 3: Other than observable market data	0	0
Total financial instruments at fair value	**0**	**0**

OTHER INFORMATION RELATING TO FINANCIAL INSTRUMENTS

During the reporting period there were no financial assets or liabilities which were reclassified by changing the measurement method from amortized cost to fair value or vice versa, and there were no changes in the fair value measurement which caused transfers between level 1 and level 2, and no transfers to or from level 3.

(VI) CAPITAL STRUCTURE AND EQUITY

The main goal of the Group's capital structure management is to ensure it maintains a strong 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 maximize 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 2017 or 2018.

NOTE 25 INVESTMENTS IN JOINT VENTURES

The Group has classified the investment in Agility Fuel Solutions LLC and Hyon AS as joint ventures. The entities are organized as limited liability companies with its own management in charge of day-to-day business. However, the composition of the board and guidelines for operation of the companies are based on a operational agreement and shareholder agreement. Under these agreements, it is required unanimity between the parties for making decisions about relevant activities. Accordingly, the ventures 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 the companies are 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 OPERATIONS

JOINT VENTURE	COUNTRY	BUSINESS SEGMENT	OWNERSHIP SHARE	VOTES
Agility Fuel Solutions LLC	USA	Unallocated	50 %	50 %
Hyon AS	Norway	Hexagon Purus	33.3 %	33.3 %

THE INCOME STATEMENT INCLUDES THE FOLLOWING AMOUNTS RESULTING FROM TRANSACTIONS WITH JOINT VENTURES

(NOK 1 000)	2018	2017
Sales revenue	5 288	6 412
Other operating income	0	21 458
Cost of materials	20 063	17 669
Other operating expenses	0	130

THE BALANCE SHEET INCLUDES THE FOLLOWING AMOUNTS RESULTING FROM TRANSACTIONS WITH JOINT VENTURES

(NOK 1 000)	2018	2017
Trade receivables	1 398	3 028
Trade payables	10 039	1 113

HEXAGON COMPOSITES GROUP'S SHARE OF PROFIT/LOSS IN AGILITY FUEL SOLUTIONS LLC

(NOK 1 000)	2018	2017
BOOK VALUE AS AT 01.01.	**917 604**	**975 963**
Share of profit	31 800	8 056
Amortization of excess value	-13 421	-13 649
Elimination of downstream transaction	890	-10 729
Reported as profit/loss from joint venture	**19 270**	**-16 322**
Share of OCI	55 044	-46 078
Received dividends	-12 826	-14 770
Share-based payment	13 285	18 811
Book value as at 31.12.	**992 378**	**917 604**

Agility Fuel Solutions LLC does not have an observable market value in form of market price or similar.

THE TABLE BELOW SHOWS THE CONDENSED FINANCIAL INFORMATION OF AGILITY FUEL SOLUTIONS LLC, BASED ON 100% FOR THE PERIOD 2018 AND 2017

INCOME STATEMENT FOR THE PERIOD	2018	2017
Operating income	1 413 073	1 300 728
Operating expenses	1 339 932	1 276 292
Net financial items	-9 540	-8 325
Profit before and after tax	**63 601**	**16 112**
Other income and expenses	546	1 752
Comprehensive income	**64 147**	**17 864**
Group's share of comprehensive income	**32 073**	**8 932**

BALANCE SHEET	31.12.2018	31.12.2017
ASSETS		
Current assets	713 915	455 028
Cash and cash equivalents	34 837	86 676
Non-current assets	608 414	599 852
LIABILITIES		
Current liabilities	290 052	191 724
Current financial liabilities	4 187	4 084
Long-term liabilities	0	11 045
Long-term financials liabilities	82 029	72 871
Equity	**980 899**	**861 832**
Group's share of the equity	**490 449**	**430 916**
Goodwill	269 670	254 663
Trade name	6 877	7 003
Technology	36 675	37 351
Customer relationships	193 859	193 385
Translation differences	0	0
Elimination of downstream transaction	-10 463	-10 729
Share-based payment	5 311	5 015
Group's carrying amount of the investment	**992 378**	**917 064**

Agility Fuel Solutions LLC has the same reporting period as the Parent Company.

HEXAGON COMPOSITES GROUP'S SHARE OF PROFIT/LOSS IN HYON AS

	2018	2017
Book value as at 01.01.	1 165	0
Share capital contribution	1 540	1 510
Share of profit after tax	-1 305	-345
Book value as at 31.12.	**1 400**	**1 165**

Hyon AS does not have an observable market value in form of market price or similar.

NOTE 26 SHARE-BASED PAYMENT

The Group has a share option program covering certain employees in senior positions.

As at 31.12.2018, 33 employees were included in the share option and RSUs program.

3 March 2015 Hexagon Composites ASA issued 975,000 call options to senior executives and managers in the Group. The share options give rights to buy shares in Hexagon Composites ASA at NOK 25 per share. The options may be exercised in part or in full following the official announcement of the financial results for the second quarter of 2018. The exercise period was extended to 14 December 2018. None of the options was exercised at these date.

1 April 2016 Hexagon Composites ASA issued 925 000 new call options to senior executives and managers in the Group at NOK 20 per share. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2018, first quarter of 2019 or second quarter of 2019. The company has decided to extend the exercise period.

5 April 2017 Hexagon Composites ASA issued 1,450,000 new call options to senior executives and managers in the Group at NOK 27 per share. 7 September 2017 additional 190,000 call options were added to this program. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2019, first quarter of 2020 or second quarter of 2020.

22 May 2018 Hexagon Composites ASA issued 1,200,000 call options to senior executives and managers in the Group at NOK 20,85 per share, provided that the share price on the date of exercise is minimum NOK 25.36 per share. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2020, first quarter of 2021 or second quarter of 2021.

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

The fair value of the options and RSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost associated with the share option and RSUs scheme were NOK 12.5 million in 2018. The fair value of all outstanding share options (3 675 000) and RSUs (100 000) is estimated to NOK 15.5 million per 31 December 2018.

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

OVERVIEW OF NUMBER OF OUTSTANDING OPTIONS

(NOK 1 000)	SHARE OPTIONS 2018	RSUS 2018	SHARE OPTIONS 2017	RSUS 2017
Outstanding options 1 January	3 465 000	0	1 850 000	0
Options granted	1 200 000	100 000	1 640 000	0
Options exercised	0	0	0	0
Options lapsed	-990 000	0	-25 000	0
Share options outstanding 31 December	**3 675 000**	**100 000**	**3 465 000**	**0**
Exercisable at 31 December	0	0	0	0

THE FOLLOWING TABLE LIST THE INPUT TO THE MODEL USED FOR THE PLAN FOR YEAR ENDED 31 DECEMBER

(NOK 1 000)	AWARDED 2018	AWARDED 2018	AWARDED 2017	AWARDED 2017
Weighted average fair values at the measurement date per share (NOK)	6.79	23.50	10.55	NA
Dividend yield (%)	0	0	0	NA
Expected volatility (%)	45,52 %	36.71 %	53.23 %	NA
Risk-free interest rate (%)	1.20 %	1.29 %	0.80 %	NA
Expected life of share options (years)	3.29	3.00	3.42	NA
Weighted average share price (NOK)	20.85	23.5	27.3	NA
Model used	Black-Scholes	Black-Scholes	Black-Scholes	NA

NOTE 27 TRANSACTIONS WITH RELATED PARTIES

The Group's related parties consist of associates, joint ventures, main shareholders, members of the Board and management. Transactions with joint ventures are disclosed in note 25.

All the transactions were carried out as part of normal business and at arm's length prices.

THE INCOME STATEMENT INCLUDES THE FOLLOWING AMOUNTS RESULTING FROM TRANSACTIONS WITH RELATED PARTIES

(NOK 1 000)	2018	2017
Sales revenue	27 556	6 077
Cost of materials	111	
Other operating expenses	1 778	2 988

THE BALANCE SHEET INCLUDES THE FOLLOWING AMOUNTS RESULTING FROM TRANSACTIONS WITH RELATED PARTIES

(NOK 1 000)	2018	2017
Trade receivables	3 812	1 825
Trade payables	387	907

REMUNERATION OF THE BOARD AND MANAGEMENT

(NOK 1 000)	SALARIES AND FEES TO BOARD MEMBERS	BONUSES PAID [1]	BENEFITS IN KIND	PAID PENSION PREMIUM	VALUE OF AWARDED SHARE OPTIONS	TOTAL REMUNERATION 2018	TOTAL REMUNERATION 2017
EXECUTIVE MANAGEMENT							
Jon Erik Engeset, Group President	3 506	1 106	14	164	814	5 603	7 108
David Bandele, Chief Financial Officer	1 831	591	14	164	543	3 142	4 093
Jack Schimenti, EVP	2 600	408	61	135	543	3 747	4 335
Heiko Chudzick, EVP Operations	1 440	0	89	0	543	2 072	0
Michael Kleschinski, President Hexagon Purus	2 112	480	92	0	543	3 227	3 714
Skjalg Sylte Stavheim, President Hexagon Ragasco LPG	2 162	870	0	113	543	3 688	4 085
BOARD OF DIRECTORS							
Knut Flakk, Chairman	570					570	750
Kristine Landmark, Deputy Chair	290					290	240
Sverre Narvesen	220					220	180
Elisabeth Heggelund Tørstad	120					120	0
Katsunori Mori [2]	0					0	0
Suzana Quintana Plaza	0					0	0
FORMER BOARD MEMBERS							
Kathrine Duun Moen	180					180	150
Gunnar Bøckmann, Deputy Board member	25					25	50
Tom Vidar Rygh	0					0	135
Total remuneration	**15 055**	**3 455**	**270**	**575**	**3 529**	**22 884**	**25 758**

1) Bonuses paid in the year relate to the year 2017.

2) Mr. Katsunori Mori has advised the company that he waives any board remuneration for the period he will serve on the board of directors.

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 960 thousand to the Group President and NOK 465 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.

Group management participates in the Company's options scheme, which are described in note 26 Share-based payment. As of 31.12.2018 the Group President has 520 thousand (550 thousand) and CFO has 330 thousand (350 thousand) outstanding share options.

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

	2018	**2017**
Knut Flakk, (Chairman) 1)	30 947 132	30 715 717
Kristine Landmark (Deputy chair) 2)	10 000	10 000
Katsunori Mori (Board member) 3)	41 666 321	41 666 321

1) Of the shares owned by Knut Flakk, 131 248 are privately owned, 581 802 are owned by his wife and 30 234 082 are owned through limited liability companies.

2) The shares are owned by Kristine Landmark's husband.

3) Shares owned by Mitsui & Co., Ltd., represented in the Board by Katsunori Mori.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	2018	**2017**
Jon Erik Engeset, Group President 1)	140 867	440 867
David Bandele, Chief Financial Officer	32 745	32 745

1) The shares owned by Jon Erik Engeset, 1 867 are privately owned and 139 000 are owned by related limited liability companies.

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)	**2018**	**2017**
Statutory audit and auditing-related services	2 594	3 136
Other attestation services	276	179
Tax advice	958	2 094
Other non-auditing services	297	767
Total	**4 125**	**6 177**

NOTE 28 PURCHASING COMMITMENTS

THE GROUP HAS THE FOLLOWING COMMITMENTS RESULTING FROM PURCHASING MATERIALS

(NOK 1 000)	2018	2017
2018	0	3 500
2019	0	0
Thereafter	0	0
Total	**0**	**3 500**

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

(NOK 1 000)	2018	2017
2018	0	1 610
2019	1 328	0
Thereafter	0	0
Total	**1 328**	**1 610**

All contracts relate to investments in production facilities/machines.

NOTE 29 EVENTS AFTER THE BALANCE SHEET DATE

On 8 November 2018, Hexagon signed an agreement to acquire the remaining 50% share in Agility Fuel Solutions. The agreed transaction valued Agility's equity at USD 250 million (NOK 2.1 billion) on a 100% basis. The transaction was closed on 4 January 2019. The transaction was financed initially through a MUSD 125.0 bridge facility. On 7 March 2019, the Group completed a new senior unsecured bond issue of NOK 1.1 billion with maturity in March 2023 and a coupon of 3 months NIBOR + 3.75% p.a. with quarterly interest payments. Settlement date for the bond issue was 15 March 2019, and the proceeds were used to take out the Bridge loan facility. An application will be made for the bonds to be listed on Oslo Stock Exchange.

The Company raised approximately NOK 493 million in gross proceeds through a private placement of 16,662,780 new shares, at a price per share of NOK 29.60. The private placement took place after close of markets on 27 February 2019. Following registration of the new share capital pertaining to the private placement, the Company has 183,290,648 shares outstanding, each with a par value of NOK 0.10.

There have not been any other 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	BUSINESS SEGMENT	OWNERSHIP SHARE	VOTES
SUBSIDIARIES					
Hexagon Ragasco AS	Norway	Raufoss	Hexagon Ragasco LPG	100 %	100 %
Ragasco NA Inc.	USA	Lincoln, NE	Hexagon Ragasco LPG	100 %	100 %
Composite Scandinavia AB	Sweden	Piteå	Hexagon Ragasco LPG	100 %	100 %
Hexagon Composites India Pvt. Ltd.	India	Bangalore	Hexagon Ragasco LPG	100 %	100 %
Hexagon Composites Rus LLC	Russia	Nizhny Novgorod	Hexagon Ragasco LPG	100 %	100 %
Hexagon USA Holdings Inc.	USA	Delaware, DE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon Lincoln LLC	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon MasterWorks Inc.	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon Railgas LLC	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	80 %	80 %
Hexagon Technical Services LLC	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon R&D Services LLC	USA	Lincoln, NE	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon Digital Wave Corporation	USA	Denver	Hexagon Mobile Pipeline & Other	100 %	100 %
Hexagon Technology AS	Norway	Aalesund	Unallocated	100 %	100 %
Hexagon Green Energy AS	Norway	Aalesund	Hexagon Purus	100 %	100 %
Hexagon Raufoss AS	Norway	Raufoss	Hexagon Purus	100 %	100 %
Hexagon Composites Germany GmbH	Germany	Herford	Hexagon Purus	100 %	100 %
Hexagon xperion GmbH	Germany	Herford	Hexagon Purus	100 %	100 %
xperion E&E Overseas GmbH,	Germany	Herford	Hexagon Purus	100 %	100 %
xperion E&E US Holding Inc.	USA	Heath, OH	Hexagon Purus	100 %	100 %
xperion E&E USA LLC	USA	Heath, OH	Hexagon Purus	100 %	100 %
Hexagon Purus USA Holdings. Inc.	USA	Lincoln, NE	Hexagon Purus	100 %	100 %
Hexagon Purus LLC	USA	Lincoln, NE	Hexagon Purus	100 %	100 %
JOINT VENTURES / JOINT OPERATIONS					
Agility Fuel Solutions LLC [1)]	USA	Delaware, DE	Unallocated	50 %	50 %
Hyon AS	Norway	Oslo	Hexagon Purus	33.3 %	33.3 %

1) 44.5% directly owned. 5,5% owned through 9,91% ownership in Agility Fuel Solutions Holdings Inc.

NOTE 31 EXCHANGE RATES

	EXCHANGE RATE 1.1.2018	AVERAGE EXCHANGE RATE 2018	EXCHANGE RATE 31.12.2018
USD	8.205	8.133	8.689
EUR	9.840	9.600	9.948
GBP	11.091	10.846	11.121
RUB	14.181	12.981	12.480
CHF	840.910	831.380	882.800
SEK	99.960	93.590	97.010

INCOME STATEMENT – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	2018	2017
Other revenue	5	38 199	38 239
Total operating income		**38 199**	**38 239**
Payroll & social security expenses	8,10,13	36 152	35 469
Depreciation and impairment	2	606	659
Other operating expenses	10	26 808	24 466
Operating profit		**-25 366**	**-22 356**
Income from investment in subsidiaries	9	141 555	174 029
Finance income	11,12	73 541	84 680
Finance expense	4,11,12	27 109	70 873
Profit on ordinary activities before tax		**162 621**	**165 479**
Tax on profit on ordinary activities	9	39 436	41 480
Profit on ordinary activities		**123 185**	**123 998**
Profit/loss for the year		**123 185**	**123 998**
Allocated to dividends	1	0	49 639
Transferred equity	1	123 185	74 360
Total transferred		**123 185**	**123 998**

BALANCE SHEET – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	31.12.2018	31.12.2017
ASSETS			
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
Land, buildings and other real estate	2	6 000	6 000
Fixtures/fittings, equipment and tools	2	946	1 331
Total property, plant & equipment		**6 946**	**7 331**
FINANCIAL ASSETS			
Investments in subsidiaries	3	123 295	123 265
Investments in associates and joint ventures	3	3 050	1 510
Loans to group companies	4,5	1 287 661	1 106 636
Other non-current receivables	4	0	256
Investments in shares		367	301
Excess financing of pension liabilities	8	0	383
Total financial assets		**1 414 373**	**1 232 352**
Total non-current assets		**1 421 319**	**1 239 682**
CURRENT ASSETS			
RECEIVABLES			
Other receivables	5	145 874	177 860
Total receivables		**145 874**	**177 860**
Bank deposits, cash and cash equivalents	6	857	788
Total current assets		**146 731**	**178 647**
Total assets		**1 568 050**	**1 418 329**

BALANCE SHEET – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
EQUITY			
PAID-IN CAPITAL			
Share capital	1,7	16 663	16 663
Own shares	1	-237	-117
Share premium	1	727 639	727 639
Other paid-in capital	1	29 737	16 887
Total paid-in capital		**773 803**	**761 073**
Other equity	1	208 984	116 225
Total other equity		**208 984**	**116 225**
Total equity		**982 787**	**877 298**
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	4	516 163	362 535
Deferred tax liabilities	9	22 213	16 733
Total other non-current liabilities		**538 376**	**379 268**
CURRENT LIABILITIES			
Liabilities to credit institutions	4,12	148	56 444
Trade payables		3 753	2 657
Income tax payable	9	33 995	40 515
Public duties payable		1 894	1 902
Allocated dividends	1	0	49 639
Other current liabilities	5	7 096	10 607
Total current liabilities		**46 887**	**161 764**
Total liabilities		**585 263**	**541 032**
Total equity and liabilities		**1 568 050**	**1 418 329**

Aalesund, Norway, 19 March 2019
The Board of Directors of Hexagon Composites ASA

Knut Flakk
Chairman of the Board

Kristine Landmark
Deputy Chair

Sverre Narvesen
Board Member

Katsunori Mori
Board Member

Elisabeth Heggelund Tørstad
Board Member

Susana Quintana-Plaza
Board Member

Jon Erik Engeset
Group President & CEO

CASH FLOW STATEMENT – PARENT COMPANY
HEXAGON COMPOSITES ASA

(NOK 1 000)	NOTE	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		162 621	165 479
Tax paid for the period		-40 515	-6 490
Depreciation and impairment		606	659
Recognized group contribution and dividend		-141 555	-174 029
Changes in trade payables		1 096	-389
Changes in pension provisions		552	-41
Changes in other accrual accounting entries		17 346	45 942
Net cash flow from operating activities		**151**	**31 132**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant & equipment and intangible assets		-221	-28
Purchase of shares		-1 636	-1 510
Net payments on loans to/from subsidiaries		-6 084	-36 329
Net cash flow from investing activities		**-7 941**	**-37 867**
CASH FLOW FROM FINANCING ACTIVITIES			
New non-current liabilities		144 470	0
Repayment of non-current liabilities		0	-76 190
Net change in bank overdraft		-56 296	56 444
Dividend payments		49 639	0
Purchase of own shares		-30 676	0
Net cash flow from financing activities		**7 860**	**-19 747**
Net change in cash & cash equivalents		69	-26 482
Cash & cash equivalents at beginning of period		788	27 270
Cash & cash equivalents at end of period	**6**	**857**	**788**
Undrawn group overdraft facility	**6**	**85 000**	**85 000**
Undrawn credit facility		**1 483 751**	**550 909**

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 recognized as services are rendered. The portion of sales revenue relating to future rendering of services is capitalized as unearned revenue on the sale and recognized 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 recognized 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 recognized at nominal value on the date of commencement. Costs associated with non-current liabilities are amortized over the duration of the loan using the effective interest method.

RECEIVABLES
Trade and other receivables are recognized 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 recognized 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 recognized and depreciated over the asset's expected useful life. Direct maintenance of property, plant and equipment is recognized 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 realizable 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 recognized 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. All shares are valued at cost in the company accounts.

SHARE-BASED PAYMENT
Share based payment are accounted for in accordance with NRS 15A, applying IFRS 2 under Norwegian Legislation. Senior executives in the Group have in 2015, 2016, 2017 and 2018 received options to subscribe for shares in the Parent Company. The fair value of the share options is measured at the grant date and the cost is recognized, together with a corresponding increase in other paid-in capital, over the period in which the performance and/or service conditions are fulfilled. The fair value is calculated using the Black & Scholes model. The employer's contribution are accrued over the period in which the service conditions are fulfilled, based on the intrinsic value.

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 recognized in equity (net after tax). Pension premiums relating to defined contribution plans are recognized as an expense as they are incurred.

TAX

Tax expense in the income statement includes income tax payable for the period and changes in deferred tax. Deferred tax is calculated at 22% (23% in 2017) 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 recognized to the extent that it is probable that it can be utilized.

INTEREST-BEARING LOANS AND BORROWING COSTS

Loans are recognized at the initial amount received less directly related transaction costs. In subsequent periods, interest-bearing loans are measured at amortized cost using the effective interest method. Profit and loss are entered in the income statement when liabilities are deducted from the balance and via amortization. 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	OTHER PAID-IN CAPITAL	OTHER EQUITY	TOTAL EQUITY
Equity as of 01.01.2018	16 663	-117	727 639	16 887	116 225	877 298
Profit/loss for the year					123 185	123 185
Allocated dividends					0	0
Share-based payment				12 850	0	12 850
Actuarial gains/losses for the year					130	130
Movement in own shares		-120			-30 556	-30 676
Equity at 31.12.2018	**16 663**	**-237**	**727 639**	**29 737**	**208 984**	**982 787**

NOTE 2 PROPERTY, PLANT & EQUIPMENT

(NOK 1 000)	LAND/ BUILDINGS AND OTHER PROPERTY	FIXTURES/ FITTINGS, EQUIPMENT AND SIMILAR	TOTAL
Cost of acquisition as of 01.01.2018	8 345	3 705	12 021
Property, plant & equipment purchased	0	221	221
Cost of acquisition 31.12.2018	**8 345**	**3 925**	**12 271**
Accumulated depreciation and impairment 31.12.2018	2 345	2 979	5 325
Carrying amount at 31.12.2018	**6 000**	**946**	**6 946**
Depreciation for the year	0	606	606
Useful life	20 years - perpetual	4-10 years - perpetual	

NOTE 3 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 %	21 398
Hexagon Technology AS	Ålesund	100 %	100 %	6 200
Hexagon Green Energy AS	Ålesund	100 %	100 %	30
Hexagon USA Holdings Inc.	Delaware, USA	100 %	100 %	19 020
Hexagon Composites Germany GmbH	Herford, Germany	100 %	100 %	11 742
Hexagon Composites Rus LLC	Nizhny Novgorod, Russia	100 %	100 %	1
				123 295

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

(NOK 1 000)	HEXAGON RAGASCO AS	HEXAGON COMPOSITES RUS LLC	HEXAGON USA HOLDINGS INC.	HEXAGON COMPOSITES GERMANY GMBH
Cost of acquisition	64 905	1	19 020	11 742
Equity at 31.12.2018	67 360	2 360	448 718	15 077
Profit 2018	88 851	741	-21 714	36 112

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

NOK 1 000)	HEXAGON RAUFOSS AS	HEXAGON GREEN ENERGY AS	HEXAGON TECHNOLOGY AS
Cost of acquisition	21 398	30	6 200
Equity at 31.12.2018	25 473	15	53 688
Profit 2018	-3 098	0	36 288

ASSOCIATES AND JOINT VENTURES

(NOK 1 000)	REGISTERED OFFICE	OWNERSHIP SHARE	VOTES	CARRYING AMOUNT
Hyon AS	Oslo	33.3 %	33.3 %	3 050

NOTE 4 RECEIVABLES AND LIABILITIES

(NOK 1 000)	2018	2017
RECEIVABLES DUE FOR PAYMENT AFTER 1 YEAR		
Other non-current receivables	0	256
Loans to group companies	1 287 661	1 106 636
Total	**1 287 661**	**1 106 862**
SHORT-TERM LIABILITIES		
Liabilities to credit institutions	148	56 444
Total	**148**	**56 444**
Liabilities secured with collateral	**0**	**0**

LONG-TERM FINANCING

(NOK 1 000)	CURRENCY AMOUNT	CARRYING AMOUNT	INTEREST	DURATION	MATURITY
Unsecured bank loans	EUR 52 000	516 163	Euriboribor 3 month + margin	5 years	30.09.2021

The financing facility is a bilateral facility with DNB Bank. The overall size of the facility at NOK 1 billion, comprising a main revolving credit with overdraft facility of NOK 600 million and an optional ancillary facility of NOK 400 million.

The shares of Hexagon Ragasco AS, Hexagon Raufoss AS and Hexagon Technology AS is pledged as security for the Bank loan as of 31.12.2018.

Costs associated with the loans are amortized over the duration of the loans using the effective interest method and are included in the carrying amount of the loans. Balance as of 31.12.2018 was NOK 1 148 thousand.

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

On 8 November 2018, the Company executed a commitment with DNB bank for a USD 125m bridge facility for the purposes of financing the acquisition of the remaining interests in Agility Fuel Solutions (see Note 15). This facility was drawn on completion of the acquisition on 4 January 2019.

NOTE 5 INTRA-GROUP TRANSACTIONS AND BALANCES

(NOK 1 000)	2018	2017
INCOME		
Administrative services to subsidiaries	37 438	37 486
Total	**37 438**	**37 486**
RECEIVABLES		
Loans to group companies	1 287 661	1 106 636
Other current receivables	141 757	175 100
Total	**1 429 418**	**1 281 735**
LIABILITIES		
Liabilities to group companies - long-term	0	0
Liabilities to group companies - current	411	2906
Total	**411**	**2 906**

NOTE 6 BANK DEPOSITS

(NOK 1 000)	2018	2017
Restricted tax withholdings	857	785

The Group's liquidity in Norway is organized 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 7 SHARE CAPITAL AND SHAREHOLDER INFORMATION

SHARE CAPITAL CONSISTS OF

(AMOUNTS IN NOK)	NUMBER	NOMINAL	CARRYING AMOUNT
A shares	166 627 868	0.10	16 662 787

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

20 LARGEST SHAREHOLDERS AS OF 31.12.2018

	NUMBER OF SHARES	SHAREHOLDING
Mitsui & Co., Ltd.	41 666 321	25.01 %
Flakk Composites AS	29 002 667	17.41 %
MP Pensjon PK	13 280 815	7.97 %
Bøckmann Holding AS	9 000 000	5.40 %
Verdipapirfondet Odin Norge	7 038 064	4.22 %
Nødingen AS	6 000 000	3.60 %
Swedbank Robur Smabolagsfond	4 340 000	2.60 %
J.P. Morgan Bank Luxembourg S.A.	3 675 685	2.21 %
Skandinaviska Enskilda Banken AB, SFMA1	3 648 330	2.19 %
Credit Suisse AG, Dublin Branch	3 158 714	1.90 %
Storebrand Norge I Verdipapirfond	2 631 596	1.58 %
Hexagon Composites ASA (own shares)	2 366 075	1.42 %
The Bank of New York Mellon SA/NV (Nominee)	1 862 964	1.12 %
VPF Eika Spar	1 416 258	0.85 %
Verdipapirfond Alfred Berg Norge	1 310 445	0.79 %
Verdipapirfondet Eika Norge	1 288 133	0.77 %
Flakk Invest AS 1)	1 200 000	0.72 %
VPF Nordea Kapital	1 174 924	0.71 %
VPF Nordea Avkastning	996 111	0.60 %
Verdipapirfond Alfred Berg Aktiv	907 612	0.54 %
Total 20 largest shareholders	**135 964 714**	**81.60 %**
Remainder	30 663 154	18.40 %
Total	**166 627 868**	**100.00 %**

1) These shareholdings are controlled by the Chairman of the Board, Knut Flakk.

As of 31.12.2018 the Company had 2 366 075 own shares (1 166 075). The cost of acquisition of NOK 57 939 thousand (NOK 27 263 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.

OWNERSHIP STRUCTURE

The total number of shareholders as of 31.12.2018 was 2 535 of whom 189 were foreign shareholders. The number of shares held by foreign shareholders was 65 602 158 or 39.4%.

The Board proposes to the general assembly that there will be no dividend to be paid for the fiscal year 2018. The dividend for the fiscal year 2017 was NOK 0.30 per share, NOK 49 639 thousand.

The Board (unanimous) has a mandate to increase share capital by up to NOK 1 666 279 by issuing up to 16 662 787 shares (par value NOK 0.10). This authorization was valid until the next ordinary general assembly. The Board exercised this mandate on 27 February 2019 and placed an additional 16 662 780 new shares.

NOTE 8 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 12 people in total - ten employed and two retired. Pension arrangements are dealt with according to the Norwegian Accounting Standard NRS 6A for pension costs.

As of 1 January 2018 the company terminated its defined benefit pension plan. The members joined a defined contribution pension plan with effect of the same date. The defined pension plans gave an entitlement to defined future returns on plan assets. These largely depended on years of service, salary level on retirement and the amount of national insurance contributions. The company's benefit obligation was covered by an insurance 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.

The contribution rate is 7% for salaries in the range of up to 7.1 times the national insurance base rate (G) and 25.1% for salaries in the range 7.1 to 12 G. Contributions for the year were expensed at NOK 1 482 thousand (1 226), excluding employer's contributions.

NET PENSION EXPENSES FOR THE YEAR IN THE DEFINED BENEFIT PENSION PLAN ARE CALCULATED AS FOLLOWS

(NOK 1 000)	**2018**	**2017**
Interest cost on benefit obligation	0	44
Expected return on plan assets	0	-53
Administrative costs	0	26
Employer's contribution	0	2
Change of plan	639	0
Total	**639**	**20**

PENSION LIABILITIES AND PLAN ASSETS

(NOK 1 000)	**2018**	**2017**
Present value of funded obligations	0	1 758
Fair value of plan assets	0	-2 094
Employer's contributions on net pension liabilities	0	-47
Net pension liabilities/plan assets recognized in balance sheet 31.12	**0**	**-380**
Net liability recognized in balance sheet 1 January	-383	-380
Recognized benefit expense	639	20
Premium payments/contributions paid	-87	-61
Actuarial gains/losses recognized directly in equity	-169	38
Net liability recognized in balance sheet 31.12	**0**	**-383**
Retirement benefit obligation	**0**	**0**
Plan assets	**0**	**380**
Accumulated actuarial gains/losses are recognized directly in equity (net after tax)	0	130

FINANCIAL ASSUMPTIONS

(NOK 1 000)	**2018**	**2017**
Discount rate	NA	2.60 %
Expected salary adjustment	NA	2.50 %
Expected pension adjustment	NA	0.00 %
Adjustment of national insurance base rate	NA	2.25 %
Expected return on plan assets	NA	2.60 %
Mortality table	NA	K2013 BE

NOTE 9 TAX

TAX EXPENSE FOR THE YEAR CONSISTS OF

(NOK 1 000)	2018	2017
Income tax payable	33 995	40 515
Change in deferred tax	5 440	966
Total tax expense	**39 436**	**41 480**

CALCULATION OF TAX BASE FOR THE YEAR

(NOK 1 000)	2018	2017
Profit before tax	162 621	165 479
Permanent differences	13 229	10 387
Change in temporary differences	-28 044	-7 055
Use of loss carryforwards	0	0
Tax base for the year	**147 806**	**168 811**

Received group contributions of NOK 141 555 thousand (NOK 174 029 thousand in 2017) have been entered as income on investments in subsidiaries and included in the pre-tax profit.

OVERVIEW OF TEMPORARY DIFFERENCES

(NOK 1 000)	2018	2017
Receivables	103 121	75 473
Non-current assets	-881	-836
Provisions	-1 273	-2 267
Pensions	0	383
Loss carryforwards	0	0
Total	**100 967**	**72 754**
DEFERRED TAX 22% (23% IN 2017)	**22 213**	**16 733**

WHY TAX EXPENSE FOR THE YEAR DOES NOT AMOUNT TO 23% OF PROFIT BEFORE TAX (24% IN 2017)

(NOK 1 000)	2018	2017
23% of profit before tax (24% in 2017)	37 403	39 715
Permanent differences 23% (24% in 2017)	3 043	2 493
Gains and losses/sale of financial assets 23% (24% in 2017)	0	0
Correction for previous year	0	0
Effect of change in tax rate	-1 010	-728
Calculated tax expense	**39 436**	**41 480**
Effective tax rate [1)]	24.3 %	25.1 %

1) Tax expense in relation to profit before tax.

From the 2019 financial year, the tax rate on general income in Norway has been reduced to 22% (23% in 2018). Deferred tax and deferred tax assets as of 31 December 2018 are calculated using a tax rate of 22%. The effect on tax expense for the year was NOK -1 010 thousand.

NOTE 10 PAYROLL, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES ETC.

PAYROLL COSTS

(NOK 1 000)	2018	2017
Wages/salaries and fees	17 750	20 030
Employer's contribution	2 542	2 950
Pension expense	2 120	1 239
Other contributions	13 740	11 250
Total	**36 152**	**35 469**

There were 10 (10 in 2017) employees in the Company during the financial year.

(NOK 1 000)	SALARIES AND FEES	PAID BONUS [1]	NATURAL CONTRI-BUTIONS	PAID PENSION PREMIUM	VALUE OF AWARDED SHARE OPTIONS	TOTAL REMUNE-RATION
EXECUTIVE MANAGEMENT						
Jon Erik Engeset, Group President	3 506	1 106	14	164	814	5 603
David Bandele, Chief Financial Officer	1 831	591	14	164	543	3 142
BOARD OF DIRECTORS						
Knut Flakk, Chairman	570					570
Kristine Landmark, Deputy Chair	290					290
Sverre Narvesen	220					220
Katsunori Mori [2]	0					0
Susana Quintana Plaza	0					0
Elisabeth Heggelund Tørstad	120					120
FORMER BOARD MEMBERS						
Kathrine Duun Moen	180					180
Gunnar Bøckmann, Deputy Board member	25					25
Total remuneration	**6 742**	**1 697**	**27**	**327**	**1 357**	**10 151**

1) Bonuses paid in the year relate to the year 2017
2) Mr. Katsunori Mori has advised the company that he waives any board remuneration for the period he will serve on the board of directors

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 960 thousand to the Group President and NOK 465 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.

Group management participate in the Company's option scheme, which are described in note 13, Share-based Payment. As of 31.12.2018 the Group President has 520 thousand (550 thousand) and CFO has 330 thousand (350 thousand) outstanding share options.

SHARES OWNED BY BOARD MEMBERS OR RELATED PARTIES

	2018	2017
Knut Flakk, (Chairman) [1)]	30 947 132	30 715 717
Kristine Landmark (Deputy chair) [2)]	10 000	10 000
Katsunori Mori (Board member) [3)]	41 666 321	41 666 321

1) Of the shares owned by Knut Flakk, 131 248 are privately owned, 581 802 are owned by his wife, 30 234 082 are owned through limited liability companies.

2) The shares are owned by Kristine Landmarks husband.

3) Shares owned by Mitsui & Co., Ltd., represented in the Board by Katsunori Mori.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	2018	2017
Jon Erik Engeset, Group President [1)]	140 867	440 867
David Bandele, Chief Financial Officer	32 745	32 745

1) Of the shares owned by Jon Erik Engeset, 1 867 are privately owned and 139 000 are owned by related limited liability companies.

EXPENSED AUDITORS' FEES AND COMPRISED OF THE FOLLOWING SERVICES (NOT INCLUDING VAT)

(NOK 1 000)	2018	2017
Statutory audit and auditing-related services	804	1 342
Other attestation services	0	0
Tax advice	216	904
Other non-auditing services	0	136
Total	**1 020**	**2 383**

NOTE 11 NET FINANCIAL ITEMS

FINANCE INCOME

(NOK 1 000)	2018	2017
Interest income from group companies	32 730	34 325
Other interest income	2 082	2 335
Other finance income (currency gains)	38 730	48 020
Total finance income	**73 541**	**84 680**

FINANCE EXPENSE

(NOK 1 000)	2018	2017
Interest expenses to group companies	0	843
Other interest expenses	8 844	8 711
Arrangement fees and other commissions	5 481	1 441
Currency losses	12 013	59 032
Other finance expense	771	846
Total finance expense	**27 109**	**70 874**

NOTE 12 FINANCIAL MARKET RISK

The Company's international activities expose it to currency risk and interest risk. Derivative financial instruments are used to minimize these risks under the Group's strategy for interest and currency exposure. As of 31.12.2018 the company has no outstanding derivative instruments.

INTEREST RATE RISK
Interest rate risk arises in the short and medium term from the Company's floating rate liabilities. The Company have historically used interest rate swaps to minimize the risk.

CURRENCY RISK
Fluctuations in exchange rates represent a financial risk to the Company, both directly and indirectly. The Company have used currency swaps and borrows in foreign currency to minimize the risk.

NOTE 13 SHARE-BASED PAYMENT

3 March 2015 Hexagon Composites ASA issued 975,000 call options to senior executives and managers in the Group. The share options give rights to buy shares in Hexagon Composites ASA at NOK 25 per share. The options could be exercised in part or in full following the official announcement of the financial results for the second quarter of 2018. The exercise period was extended to 14 December 2018. None of the options was exercised.

1 April 2016 Hexagon Composites ASA issued 925,000 new call options to senior executives and managers in the Group at NOK 20 per share. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2018, first quarter of 2019 or second quarter of 2019. The company has decided to extend the exercise period.

5 April 2017 Hexagon Composites ASA issued 1,450,000 new call options to senior executives and managers in the Group at NOK 27 per share. 7 September 2017 additional 190,000 call options were added to this program. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2019, first quarter of 2020 or second quarter of 2020.

22 May 2018 Hexagon Composites ASA issued 1,200,000 call options to senior executives and managers in the Group at NOK 20.85 per share, provided that the share price on the date of exercise is minimum NOK 25.36 per share. The options may be exercised in part or in full within three weeks following the official announcement of the financial results for the fourth quarter of 2020, first quarter of 2021 or second quarter of 2021.

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

The fair value of the options and RSUs was calculated on the grant date, based on the Black-Scholes model, and the cost is recognized over the service period. Cost associated with the share option and RSUs scheme were NOK 12.5 million YTD 31 December. The cost in the fourth quarter were NOK 4.1 million. The fair value of all outstanding share options (3,675,000) and RSUs (100,000) is estimated to NOK 15.5 million per 31 December 2018.

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

OVERVIEW OF NUMBER OF OUTSTANDING OPTIONS

(NOK 1 000)	SHARE OPTIONS 2018	RSU OPTIONS 2018	SHARE OPTIONS 2017	RSUS OPTIONS 2017
Outstanding options 1 January	3 465 000	0	1 850 000	0
Options granted	1 200 000	100 000	1 640 000	0
Options exercised	0	0	0	0
Options lapsed	-990 000	0	-25 000	0
Share options outstanding 31 December	**3 675 000**	**100 000**	**3 465 000**	**0**
Exercisable at 31 December	0	0	0	0

NOTE 14 LEASES

Ordinary lease payments for 2018 were NOK 3 515 thousand (2 817 in 2017).

FUTURE MINIMUM LEASE PAYMENTS RELATING TO FIXED TERM LEASES FALL DUE AS FOLLOWS:

(NOK 1 000)	2018
Not later than 1 year	3 505
1 to 5 years	9 489
Later than 5 years	2 106
Total	**15 099**

NOTE 15 EVENTS AFTER THE BALANCE SHEET DATE

On 8 November 2018, Hexagon signed an agreement to acquire the remaining 50% share in Agility Fuel Solutions. The agreed transaction valued Agility's equity at USD 250 million (NOK 2.1 billion) on a 100% basis. The transaction was closed on 4 January 2019. The transaction was financed initially through a MUSD 125.0 bridge facility. On 7 March 2019, the Group completed a new senior unsecured bond issue of NOK 1.1 billion with maturity in March 2023 and a coupon of 3 months NIBOR + 3.75% p.a. with quarterly interest payments. Settlement date for the bond issue was 15 March 2019, and the proceeds were used to take out the Bridge loan facility. An application will be made for the bonds to be listed on Oslo Stock Exchange.

The Company raised approximately NOK 493 million in gross proceeds through a private placement of 16,662,780 new shares, at a price per share of NOK 29.60. The private placement took place after close of markets on 27 February 2019. Following registration of the new share capital pertaining to the private placement, the Company has 183,290,648 shares outstanding, each with a par value of NOK 0.10.

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

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

DaaeGården, NO-6010 Ålesund
Langelandsvegen 1, NO-6010 Ålesund

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Hexagon Composites ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hexagon Composites ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the financial position of the Group as at 31 December 2018, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Goodwill Hexagon xperion – Impairment test

As at 31 December 2018, Hexagon Composites ASA Group reported goodwill of NOK 373 million from the acquisition of Hexagon xperion in 2016. Goodwill is subject to annual impairment testing, and estimating the recoverable amount of the related cash generating unit requires management judgement of future revenues, gross margins, operating costs, terminal value growth rates, capital expenditures and discount rate. No impairment was recognized. The impairment test involves significant estimation uncertainty and management judgment and is therefore a key audit matter.

We assessed the internal controls related to the impairment assessment. We involved valuation specialists in our team to support testing of the assumptions and methods used by management. We compared future cash flows against board approved plan for the years 2019-2022 and considered underlying assumptions for expected growth rates and the related cash flows. We assessed the historical accuracy of management's estimates and compared the cash flows to the assessment used for the acquisition. Furthermore, we tested the input of the discount rate against comparable market data. We also tested the mathematically accuracy of the impairment model and performed sensitivity analysis of the assumptions used. We also assessed the disclosures in note 11 Intangible assets in the financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Group President & CEO (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is 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 International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Board of Directors' report in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Ålesund, 19 March 2019

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/m²
CHG	Compressed Hydrogen Gas
CNG	Compressed Natural Gas
EBIT	Earnings before interests and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
FCEV	Fuel Cell Electric Vehicle
GVW	Gross Vehicle Weight
HDV	Heavy-Duty Vehicle
HEX	Hexagon Composites ticker on Oslo Børs
HSE	Health, Safety & Environment. Collective term for activities relating 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
LBS	Pounds. 1 LB = 0.453 kg
LDV	Light-Duty Vehicle
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)
X-STORE®	High-pressure composite cylinder for bulk transportation and storage of CNG
RESIN	Chemical adhesives for strengthening glass and/or carbon fibre
RNG	Renewable Natural Gas
SCM³	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
TYPE 1	Steel cylinder
TYPE 2	Steel cylinder, composite-reinforced
TYPE 3	Composite cylinder with metal liner
TYPE 4	Composite cylinder with polymer liner
U.S. DOT	U.S. Department of Transportation
WLTP	Worldwide Harmonized Light Vehicles Test Procedure

FINANCIAL CALENDAR 2019

ANNUAL GENERAL MEETING
24 April 2019

1ST QUARTER 2019
8 May 2019

2ND QUARTER AND HALF YEAR REPORT 2019
14 August 2019

3RD QUARTER 2019
30 October 2019

4TH QUARTER 2019
12 February 2020

CONTACT US

IR CONTACT
Hiva Ghiri
Vice President Investor Relations
Phone: +47 958 66 790
hiva.ghiri@hexagongroup.com

Solveig Maria Saether
Communication Manager
Phone: +47 906 34 977
solveig.saether@hexagongroup.com

ADDRESS
Hexagon Composites ASA
Korsegata 4B
P. O. Box 836 Sentrum
NO-6002 Aalesund

Phone: +47 70 30 44 50
office@hexagongroup.com
hexagongroup.com

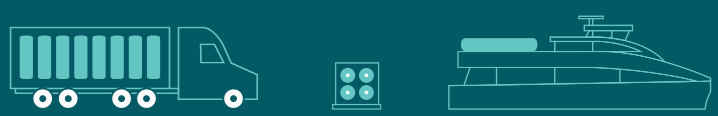
ANNUAL REPORT 2018

HEXAGON COMPOSITES ASA
Korsegata 4B, P. O. Box 836 Sentrum, NO-6002 Ålesund, Norway. Phone: +47 70 30 44 50, office@hexagongroup.com, hexagongroup.com

HEXAGON

HEXAGON PURUS
HYDROGEN & LIGHT-DUTY VEHICLES

CNG Light-Duty Vehicles | Fuel Cell Electric Vehicles | Transit Buses | Heavy-Duty Trucks



Distribution | Ground storage | Marine | Rail

MOBILE PIPELINE

Distribution

OTHER

Hexagon MasterWorks | Hexagon Digital Wave

AGILITY FUEL SOLUTIONS

Heavy-Duty Trucks | Transit Buses | Refuse Trucks

HEXAGON RAGASCO

Leisure activities, household and industrial applications

Design: ELLE mELLE | Layout and graphic production: Artbox.no | Photo: Andreas Berthel, Tony Hall