

INTRODUCTION

Important events in the Hexagon Group since the previous interim report.

- The new production line at Ragasco is now fully operational after a 3-month interruption and a 3-month running-in period.
- Comrod's demerger and IPO have been completed.
- Good results and strong growth in the high-pressure area (Raufoss/Lincoln).
- Fibre reinforcements have formed a joint venture with PPG in the USA, opened a new factory in Lithuania and reported good results from Devold AMT.

Hexagon Composites (without the composite antennas business area) reported a weak operating profit of NOK -1.1 (-0.1) million for the fourth quarter of 2006. The fall in operating profit is directly attributable to the composites containers business area (Ragasco) rebuilding its production line in the second half of the year, in order to boost production capacity. Although this was completed in the third quarter, Ragasco still suffered a poor fourth quarter due to lower production figures in connection with the commissioning and running-in of the new production plant.

High-pressure containers (Raufoss/Lincoln) reported extremely satisfying results for the fourth quarter. Composite reinforcements (Devold AMT) reported a high turnover and good fourth quarter results. Composite antennas (Comrod/Lerc) achieved a satisfactory turnover, but reported a lower profit than usual, due to the postponement of deliveries to the defence market and a temporary product mix shift towards products with lower margins in the civilian market.

The Group (without the composite antennas business area) achieved a turnover of NOK 115.4 (87.5) million and an operating profit before depreciation/amortisation (EBITDA) of NOK 6.3 (5.4) million in the fourth quarter of 2006. Operating profit (EBIT) amounted to NOK -1.1 (-0.1) million.

BUSINESS AREAS

COMPOSITE REINFORCEMENTS – DEVOLD AMT

Turnover and market

The business area achieved a turnover of NOK 47.0 (31.6) million in the fourth quarter. This is a considerable improvement on the previous quarter, when the business area reported a turnover of NOK 39.2 million, and is equivalent to almost 50% growth on the same period last year. The wind power industry – Devold's most important market – is in a growth cycle, which we expect to continue for some years.

The company still has insufficient capacity to cover customer enquiries in 2007. However, capacity will be substantially boosted in 2007 by investments in new production capacity at the company's site in Lithuania and by the 50/50 joint venture which the company has formed with US fibreglass manufacturer PPG. Given these circumstances, a higher turnover is expected in 2007.

Production and margins

Devold AMT's margins improved somewhat compared with the third quarter. This is due to better capacity utilisation and improved coverage of fixed costs.

Costs and profit

Devold AMT reported an operating profit of NOK 3.9 (-0.9) million for the fourth quarter.

COMPOSITE CONTAINERS – RAGASCO

Turnover and market

Ragasco achieved a turnover of NOK 28.8 (37.1) million in the fourth quarter. A full rebuild of the company's production line completed in the third quarter has more than doubled production capacity. Production in the new plant is now in line with the scheduled escalation plan. This has meant that Ragasco's turnover for the fourth quarter is lower than in the same period last year. Sales were displaced to 2007, although this did not affect the business area's customer relationships. There is good activity in sales. Interest in the company's products continues to rise and the business area entered 2007 with a considerable backlog of orders.

Production and margins

In view of the low production volume and the resulting low turnover for the quarter, margins are not representative of normal operation.

Costs and profit

Ragasco achieved an operating profit of NOK -9.4 (5.6) million in the fourth quarter. Results for 2007 are expected to be good, with quarterly results rising in line with the production escalation plan.

HIGH-PRESSURE CONTAINERS - RAUFOSS/LINCOLN

Turnover and market

Raufoss and Lincoln achieved a turnover of NOK 40.1 (18.9) million in the fourth quarter. This is an improvement on the third quarter and more than triple the figure reported for the same period the previous year. The market for CNG pressure containers for eco-friendly buses in cities in Europe, the USA and Japan is growing, particularly in Europe, and the business area has increased its market share. The business area has now positioned itself as the international leader in this area, with a competitive product portfolio, and efforts are now focused on making this even more cost-effective. Turnover is also expected to rise in 2007, particularly in the second half of the year.

Interest in our high-pressure containers for hydrogen storage is increasing. Since the previous interim report, an important contract has been won. The car industry continues to show keen interest in CNG containers for cars.

Production and margins

Availability of carbon fibre is now satisfactory. Lincoln achieved a stable turnover and good margins in the fourth quarter. Raufoss was able to report good activity in deliveries to Volvo and other European bus manufacturers, which, together with the company's strategic product mix, resulted in satisfactory earnings. Margins in 2007 are expected to be somewhat lower than in the fourth quarter.

Costs and profit

The business area reported an operating profit of NOK 10.2 (-2.9) million in the fourth quarter. A previous provision of approx. NOK 3 million was reversed during the period. Although good results are expected in bus operations in 2007, the overall results for high-pressure operations will be affected to a certain extent by the start-up costs for Lincoln's new large tank facility.

COMPOSITE ANTENNAS – COMROD/LERC

Turnover and market

The business area achieved a turnover of NOK 59.9 (32.0) million in the fourth quarter. The large increase compared with the same period the previous year and the third quarter is largely due to the acquisition of Lerc. Lerc was consolidated into the business area in mid-September 2006. Power's Q4 turnover was somewhat lower than expected, as a result of delays from sub-contractors, which shifted turnover from 2006 to 2007. Lerc's Q4 turnover was as expected. Comrod and Lerc continue to benefit from a good defence communication market, and turnover is expected to rise in 2007.

Production and margins

The business area has experienced growth in sales of civilian products, which have lower margins. Comrod has also reported increased costs associated with the implementation of a new ERP system. Lerc's margins are somewhat lower than Comrod's, due to its different product composition. Allowance has been made for this in the acquisition analysis. The Q4 operating margin for the business area is therefore lower than that reported for Comrod in the same period the previous year.

Costs and profit

The business area had an operating profit of NOK 10.0 (7.2) million in the fourth quarter. The results are expected to improve in 2007.

PARENT COMPANY

Operating expenses amounted to NOK 7.6 million in the 4th quarter. Costs arising from the demerger and initial public offering of Comrod Communication ASA amounted to approx. NOK 4 million. These costs were covered by Hexagon Composites ASA.

GROUP

The Hexagon Group (without the composite antennas business area) reported a turnover of NOK 417.2 (315.5) million and an operating profit before depreciation/amortisation (EBITDA) of NOK 29.8 (24.8) million in the fourth quarter of 2006. Operating profit (EBIT) amounted to NOK 6.9 (6.6) million.

The equity ratio at 31 December 2006 was 26.2% (49.0%). The lower equity ratio is mainly attributable to the acquisition of Lerc and a significant increase in the balance sheet total as a result of the investment programme at Ragasco. Working capital has also increased, as a result of general growth in the Group. The Group fulfils all its obligations to its lenders. The Group generated NOK 48.5 million in new capital from a directed share issue on 6 February 2007.

The Board is satisfied that Ragasco has successfully implemented its investment programme, despite some delay. The Board has also noted the continued positive development of Devold AMT and Raufoss/Lincoln.

The acquisition of Lerc strengthens Comrod's business area considerably and will also create product, market and operating synergies.

The Group is well positioned for growth in all its business areas in 2007. The Board expects higher turnover figures and improved results in 2007 compared with 2006.

This interim report has been prepared in accordance with the accounting policies applied by the Group in its 2005 annual report and the provisions of IAS 34 (Interim Financial Reporting).

In accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations), the composite antennas business area is presented in the interim report as "Results of operation due for demerger".

DEMERGER OF COMROD

Comrod Communication ASA, which was previously the composite antennas business area (Comrod, Power, Lerc) in the Hexagon Group, has been spun off, and on 22 January 2007 was listed as a separate company on the Oslo Stock Exchange (ticker: COMROD). Hexagon Composites has a 25% holding in the new group.

Raufoss, 28 February 2007
Board of Directors

Hexagon Composites ASA - Profit and Loss Statement 4. Quarter 2006

(All figures in NOK 1.000)

PROFIT AND LOSS ACCOUNT	31.12.2006	31.12.2005	4Q 2006	4Q 2005
Operating income	417 220	315 519	115 427	87 544
Raw materials and consumables used incl. changes in stock	216 721	151 887	55 843	44 269
Payroll and social security expenses	98 491	82 446	22 732	21 429
Other operating expenses	72 227	56 346	30 592	16 419
Operating profit before depreciation (EBITDA)	29 781	24 840	6 260	5 427
Depreciation	22 869	18 216	7 345	5 539
Operating profit (EBIT)	6 912	6 624	-1 085	-112
Net financial items	-2 648	-1 608	2 175	617
Profit/loss before tax	4 264	5 016	1 090	505
Tax costs	-2 486	-1 731	-1 231	-387
Profit from discontinued operations (Comrod/Lerc - Composite Antennas)	7 948	18 539	4 552	6 989
Profit/loss after tax	9 726	21 825	4 411	7 107

BALANCE SHEET ¹⁾

Intangible assets	168 213	100 553
Tangible fixed assets	291 833	138 468
Financial fixed assets	3 739	678
Goods	141 761	65 047
Receivables	174 297	97 701
Bank deposits, cash and similar	10 748	10 204
Total assets	790 591	412 652
Paid-in capital	161 129	157 217
Retained earnings	45 930	45 164
Provisions	26 306	11 707
Interest-bearing long-term liabilities	305 600	88 300
Interest-bearing current liabilities	74 976	31 792
Other current liabilities	176 649	78 472
Total liabilities and equity	790 591	412 652

CASH FLOW STATEMENT ¹⁾

Profit before tax	15 998	30 851
Depreciation and write-downs	28 555	20 738
Change in net working capital	-30 815	-15 040
Net cash flow from operations	13 739	36 550
Net cash flow from investment activities	-270 387	-94 967
Net cash flow from financing activities	257 191	42 712
Net change in cash and cash equivalents	543	-15 705
Cash and cash equivalents at start of period	10 204	25 909
Cash and cash equivalents at end of period	10 748	10 204
Available unused credit facility	19 587	23 744

¹⁾ Numbers from discontinued operations are included

EQUITY RECONCILIATION

Equity at start of period	202 381	180 277
Profit/loss in period	9 726	21 825
Fair value adjustments, stock based incentives, pension estimates	-8 087	-2 706
Translation effects	363	1 554
Issue of new stock	2 676	1 431
Equity at end of period	207 059	202 381

KEY FIGURES

Equity ratio	26,2%	49,0%
Liquidity ratio I	1,3	1,6
Return on equity (annualised)	4,8%	11,4%
Total return (annualised)	5,4%	9,8%
Earnings per share	0,08	0,17
Diluted earnings per share	0,08	0,17
Cash flow from operations per share	0,11	0,29
Equity per share	1,63	1,60
Net interest-bearing liabilities	380 577	120 092

Information on Business Areas ¹⁾:

	31.12.2006	31.12.2005	4Q 2006	4Q 2005
Comrod/Lerc - Composite Antennas:				
Operating income	143 603	109 559	59 927	32 036
Operating profit before depreciation (EBITDA)	24 544	26 986	12 043	7 786
Operating profit (EBIT)	18 859	24 464	9 968	7 214
Devold AMT AS - Composite Reinforcements:				
Operating income	158 196	96 190	47 022	31 601
Operating profit before depreciation (EBITDA)	11 799	729	6 046	823
Operating profit (EBIT)	5 077	-5 611	3 945	-853
Ragasco AS - LPG Containers:				
Operating income	120 051	133 878	28 822	37 100
Operating profit before depreciation (EBITDA)	3 276	28 194	-5 177	7 984
Operating profit (EBIT)	-8 922	19 739	-9 388	5 632
Raufoss/Lincoln - High Pressure Containers:				
Operating income	140 120	86 556	40 070	18 948
Operating profit before depreciation (EBITDA)	28 095	1 865	13 070	-1 357
Operating profit (EBIT)	22 310	-1 556	10 201	-2 868

1) Figures for the business areas do not include elimination of internal sales.

Note 1 Operation due for demerger

(All figures in tables in NOK 1,000)

The demerger of the communication business area from Hexagon Composites ASA to form Comrod Communication ASA was finalised on Friday 19 January 2007 at the close of trading. Public trading in shares in Comrod Communication ASA on the Oslo Stock Exchange began on 22 January 2007.

As a result of the demerger, Comrod Communication ASA will be a separate group and will continue its operations in communications, which came under Hexagon Composites ASA. The company has taken over the assets, rights and obligations connected with these operations. This essentially refers to the operations conducted by the subsidiary Comrod AS and its own subsidiaries Fidulerc SA and Lerc SA.

Share capital increased by NOK 12,703,987 after the demerger (from NOK 1,000,000 to NOK 13,703,987) following a share issue of 12,703,987 new shares, each with a par value of NOK 1.00. At the same time, the share premium account increased from NOK 0 to NOK 27,804,542. The shareholders of Hexagon Composites ASA have each received 0.1 share in Comrod Communication ASA for every share they owned in Hexagon Composites ASA.

A directed share issue to Hexagon Composites ASA was also implemented in parallel with the demerger. The share issue, which was at market value, was implemented and registered at the same time as the demerger on 19 January. The share issue converted liabilities of approx. NOK 55 million, which arose from the demerger process, into equity. Following the share issue and demerger, Hexagon Composites ASA holds a 25% stake in Comrod Communication ASA.

At 31 December 2006, the Composite Antennas business area (communication operations) is presented as "Operation due for demerger" in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The income statement for the spun-off business area is presented here.

Income Statement	31.12.2006	31.12.2005	Q4 2006	Q4 2005
Operating income	143 603	109 559	59 927	32 036
Cost of materials, incl. changes in stock	43 823	30 568	16 278	9 040
Payroll & social security expenses	55 236	38 010	24 198	10 708
Other operating expenses	20 000	13 995	7 408	4 502
Operating profit before depreciation/amortisation (E _E)	24 544	26 986	12 043	7 786
Depreciation/amortisation	5 686	2 522	2 075	572
Operating profit (EBIT)	18 859	24 464	9 968	7 214
Net financial items	-7 126	1 371	-2 786	2 580
Profit before tax	11 733	25 835	7 183	9 794
Tax expense	-3 786	-7 296	-2 631	-2 805
Profit after tax	7 948	18 539	4 552	6 989

Net financial items include intra-group interest to Hexagon Composites ASA as this corresponds to alternative external loan financing. In the income statement for Hexagon Composites ASA, the equivalent item comes under finance income.

The main items in the balance sheet for the Composites antennas business area at 31 December 2006 are as follows:

Balance sheet

Intangible assets	82 473
Property, plant and equipment	57 878
Inventories	44 312
Receivables	67 060
Receivables, group	30 807
Bank deposits, cash and similar	4 184
Total assets	286 714
Liabilities to group companies	183 904
Other non-current liabilities	16 604
Current liabilities	51 884
Total liabilities	252 392

Net cash flow from operation due for demerger:

Net cash flow from operating activities	6 586
Net cash flow from investing activities	-122 915
Net cash flow from financing activities	119 883