

THE BOARD OF DIRECTORS' REPORT (Unofficial translation)

The Third Quarter 2009 is yet another record quarter for the Hexagon Group, delivering its best ever quarterly operating profit (EBIT) of 25.9 MNOK.

The Group had a third quarter turnover of 225.7 MNOK (194.0), an operating profit before depreciation (EBITDA) of 39.5 MNOK (24.8). Profit before tax for the third quarter was 34.9 MNOK (7.0).

Hexagon Composites has delivered its best ever 9 month period. The Group produced a turnover of 683.2 MNOK (556.6) over the year's first 9 months which is an increase of 23% in relation to the same period last year. Operating profit before depreciation (EBITDA) was 113.0 MNOK (67.8). Operating profit (EBIT) was 71.0 MNOK (36.7). This is 93% better than the corresponding period in 2008. Profit before tax amounted to 85.6 MNOK (14.6).

Important events in the Hexagon Composites Group since the previous interim report:

- Ragasco set yet another production record for LPG/propane containers.
- Lincoln Composites started production at their new facility for TUFFSHELL[®] gas containers.
- Devold AMT achieved significantly improved results from a similar turnover level to the previous quarter.
- The shares in Comrod Communication ASA have been sold

Ragasco delivered an operating profit of 24.8 MNOK (8.2) in the third quarter. In the high-pressure container business unit (Lincoln/Raufoss) an operating profit of 2.8 MNOK (1.7) was realised. Both Lincoln Composites and Raufoss Fuel Systems reported a positive operating profit. The composite reinforcement business unit (Devold AMT) reported an operating profit of -1.0 MNOK (5.6)

BUSINESS AREAS

COMPOSITE CONTAINERS

RAGASCO

Turnover and market

Ragasco achieved a turnover of 122.0 MNOK (75.4) for the third quarter. This is a new record for the company and represents a 62% increase on the same period last year. The company achieved a total turnover of 351.9 MNOK (222.2) for the first nine months of the year.

The market for Ragasco's LPG/propane gas containers is still good and a good fourth quarter is expected but with less turnover than the third quarter due a short production stop at the change of the year for necessary work to be undertaken in order to increase total production capacity.

The company is preparing itself for further growth in 2010 in relation to the current year.

Sales of gas containers for the Mercedes Benz B Class were stabile for the third quarter and are expected to remain at the same level for the fourth quarter with a moderate increase in 2010. Strong growth is expected for this market in the longer term and Ragasco is positioning itself to become a main supplier for new car models.

Production and margins

The company has in the third quarter shown a stable production capacity of 1.2 million annual units. The strong margins are closely connected to the high capacity utilisation during the quarter.

Costs and Profit

Operating profit, EBIT, for the third quarter was 24.8 MNOK (8.2). Operating profit for the year's first nine months was 70.8 MNOK (29.5). Due to the planned production stop at the end of the year to facilitate the development of further production capacity a somewhat weaker operating profit is expected for the fourth quarter.

HIGH-PRESSURE CONTAINERS LINCOLN/RAUFOSS

Turnover and market

The high-pressure area reported a turnover of 68.4 MNOK (56.2) for the third quarter. Turnover at Raufoss Fuel Systems has maintained a good level in the third quarter. Lincoln Composites experienced continued stable turnover in its domestic North American market. The business area achieved a turnover of 200.2 MNOK (141.3) for the first nine months.

The qualifying and testing process for the TITAN™ container is now in its final phase and completion of the final test is very close. It is expected that type approval of the product will be in place in some key markets during the remainder of the year. Lincoln report strong interest for TITAN™ and it is expected that the increasing difference between oil and gas prices will further stimulate interest in the use of gas.

Production and margins

Both Lincoln Composites and Raufoss Fuel Systems reported positive operating margins for the third quarter. Fixed costs are, and will remain, at a higher level during the whole of 2009 when compared to a normal operating year as there will be some doubling of fixed production costs at Lincoln due to the on going set-up of the new factory for Lincoln's TUFFSHELL® gas containers. The old production line for these containers will be phased out during the remainder of the current year.

Costs and profit

The operating profit, EBIT, for Lincoln/Raufoss for the third quarter was 2.8 MNOK (1.7) and for the first nine months it was 13.0 MNOK (3.5). Weaker activity levels, particularly in Europe, are expected during the fourth quarter.

COMPOSITE REINFORCEMENTS DEVOLD AMT

Turnover and market

Devold AMT had a turnover of 35.6 MNOK (62.7) for the third quarter. This is on a level with the previous quarter and a significant weakening in relation to the same period last year. The major reason is due to a major reduction in activity within the wind energy industry in Europe. The business unit had a turnover of 132.2 MNOK (195.1) for the first nine months.

The global wind energy industry represents the main market. The reduced activity so far in 2009 is due to difficulties with the financing of wind energy parks. The long-term trend for

growth in the wind industry is still strong but it is expected that the whole of 2009 will be a difficult one for the wind power industry and growth will not be forthcoming again until 2010 at the earliest.

Production and margins

The activity within this business area does not give sufficient coverage of fixed costs at today's levels but costs have been reduced and margins strengthened during the period.

Costs and profit

The business unit achieved an operating profit, EBIT, for the third quarter of -1.0 MNOK (5.6). Operating profit for the first nine months was -6.0 MNOK (10.4). A gradual improvement in results is expected in line with increasing activity levels within the wind energy sector.

PARENT COMPANY

Operating expenses amounted to 2.8 MNOK (2.4) for the third quarter and 9.7 MNOK (8.8) for the first nine months.

GROUP

The Hexagon Group achieved a turnover of 683.2 MNOK (556.6) for the first nine months of 2009 and an operating profit before depreciation, EBITDA, of 113.0 MNOK (67.8). The operating profit, EBIT, was 71.0 MNOK (36.7). Profit before tax was 85.6 MNOK (14.6).

The Group's equity ratio was 34.4 % (29.6%) and liquidity is good. The measures that have been implemented in the Group to reduce the balance sheet have taken further effect. The total balance sheet for the group has been reduced by approx. 40 MNOK through the third quarter from 775.6 MNOK to 735.7 MNOK.

The shares in Comrod Communications ASA were sold on the 27th October. The sale will strengthen liquidity by approximately 46 MNOK. This does not affect the profit and loss account.

The Board is very pleased with the development at Ragasco. The strong market outlook indicates that the company will be able to sell all of the production capacity that can be made available during 2009. Work related to the investment program for an increase in production capacity is well under way and is planned for implementation at the change over of 2009/2010. This capacity increase is vital to be able to grow further in 2010. The Board has approved a further 10 MNOK for this investment program. This is expected to increase annual production capacity towards 2 million units when the investment is fully operational.

The Board notes that the high-pressure area has developed to a somewhat weaker degree than was expected. This is mainly due to the fact that sales of TITAN™ containers have been delayed. The inflated costs associated with operating several plants mean that margins will be weaker than in a normal operating year. Despite this a small positive operating profit is expected for 2009. The Board is of the clear opinion that the business area is well positioned for future growth.

The Board notes that the wind energy industry had a strong downturn in 2009 and expects that Devold AMT will achieve a significantly weaker result for this year when compared to 2008. The situation in the wind energy industry is expected to gradually improve during 2010.

Ålesund, 28th October 2009

Hexagon Composites ASA - Profit and Loss Statement 3rd Quarter 2009

(All figures in NOK 1,000)

PROFIT AND LOSS ACCOUNT	30.09.2009	3Q 2009	30.09.2008	3Q 2008	31.12.2008
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Operating income	683 167	225 655	556 601	194 017	767 273
Cost of materials	362 059	121 765	309 676	113 795	432 394
Payroll and social security expenses	128 659	41 376	112 573	36 271	123 762
Other operating expenses	79 454	23 046	66 545	19 102	105 484
Operating profit before depreciation (EBITDA)	112 995	39 468	67 807	24 849	105 633
Depreciation	41 986	13 570	31 060	11 310	46 009
Operating profit (EBIT)	71 009	25 898	36 747	13 539	59 624
Income from investments in associates	-2 578	-4 137	3 185	1 009	-9 493
Other financial items (net)	17 152	13 113	-25 303	-7 568	-59 900
Profit/loss before tax	85 583	34 874	14 629	6 980	-9 769
Tax	-24 805	-10 796	-3 312	-1 575	-39
Profit/loss after tax	60 778	24 078	11 316	5 405	-9 808

Comprehensive income statement according to IAS 1¹⁾

Profit/loss after tax	60 778		11 316		-9 808
Exchange differences arising from the translation of foreign operations	-15 255		3 649		17 011
Actuarial gains/losses for the period	0		0		-2 183
Fair value adjustments hedging instruments	6 216		503		-11 401
Comprehensive income	51 739		15 468		-6 381

¹⁾ The table is adjusted in accordance with the revised IAS 1 as from 1 January 2009. See also note 2 Accounting principles.

BALANCE SHEET

Intangible assets	118 546		108 396		135 926
Tangible fixed assets	259 045		262 115		279 625
Investments in associates	52 561		67 324		58 087
Other financial fixed assets	2 588		2 150		649
Inventories	112 452		138 291		145 551
Receivables	184 075		164 772		176 374
Bank deposits, cash and similar	6 405		8 909		9 938
Total assets	735 672		751 957		806 150
Paid-in capital	177 106		175 505		176 114
Other equity	76 002		46 778		24 755
Provisions	23 440		23 230		37 199
Interest-bearing long-term liabilities	310 163		309 673		311 825
Interest-bearing current liabilities	32 946		47 492		60 184
Other current liabilities	116 014		149 277		196 073
Total liabilities and equity	735 672		751 957		806 150

CASH FLOW STATEMENT

Profit before tax	85 583		14 629		-9 769
Depreciation and write-downs	41 986		31 060		46 009
Change in net working capital	-37 677		28 781		59 730
Net cash flow from operations	89 892		74 470		95 971
Net cash flow from investment activities	-45 051		-43 331		-73 287
Net cash flow from financing activities	-48 374		-29 213		-19 730
Net change in cash and cash equivalents	-3 533		1 925		2 954
Cash and cash equivalents at start of period	9 938		6 984		6 984
Cash and cash equivalents at end of period	6 405		8 909		9 938
Available unused credit facility	83 941		51 649		48 105

Statement of changes in equity

	Share capital	Share premium reserve	Revaluation reserve	Exchange differences	Other equity	Total
Balance sheet as at 31 December 2007	13 287	156 264	-580	-6 932	41 847	203 886
Comprehensive income for the period			-11 401	17 011	-11 991	-6 381
Share-based payment					1 630	1 630
Share options used by employees	43	1 692				1 734
Balance sheet as at 31 December 2008	13 329	157 955	-11 981	10 079	31 486	200 869
Balance sheet as at 31 December 2008	13 329	157 955	-11 981	10 079	31 486	200 869
Comprehensive income for the period			6 216	-15 255	60 778	51 739
Share-based payment					500	500
Balance sheet as at 30 September 2009	13 329	157 955	-5 765	-5 175	92 764	253 109

KEY FIGURES

	30.09.2009	30.09.2008	31.12.2008
Equity ratio	34.4 %	29.6 %	24.9 %
Equity/Capital employed	42.5 %	38.4 %	35.1 %
Liquidity ratio I	2.0	1.6	1.3
Return on equity (annualised)	35.7 %	7.1 %	-4.8 %
Total return (annualised)	18.1 %	7.0 %	2.6 %
Earnings per share	0.46	0.09	-0.07
Diluted earnings per share	0.45	0.08	-0.06
Cash flow from operations per share	0.67	0.56	0.72
Equity per share	1.90	1.67	1.51
Interest-bearing liabilities	343 110	357 165	372 009

Information on Business Areas¹⁾:

	30.09.2009	3Q 2009	30.09.2008	3Q 2008	31.12.2008
Ragasco - LPG Containers:					
Operating income	351 925	122 005	222 205	75 415	326 048
Operating profit before depreciation (EBITDA)	98 602	33 092	49 784	16 102	76 451
Operating profit (EBIT)	70 772	24 795	29 458	8 192	47 040
Lincoln/Raufoss - High Pressure Containers:					
Operating income	200 232	68 353	141 322	56 151	178 282
Operating profit before depreciation (EBITDA)	20 913	6 101	7 697	3 118	9 471
Operating profit (EBIT)	12 981	2 822	3 514	1 675	1 836
Devold AMT - Composite Reinforcements:					
Operating income	132 205	35 571	195 142	62 704	266 504
Operating profit before depreciation (EBITDA)	230	958	16 937	7 560	27 263
Operating profit (EBIT)	-5 994	-1 034	10 385	5 603	18 300

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

NOTE 1: INTRODUCTION

The condensed consolidated interim financial statements for 3rd Quarter 2009, which ended September 30th 2009, comprise Hexagon Composites ASA and its subsidiaries (together referred to as “The Group”).

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Standard (IFRS), IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of The Group for the year which ended December 31st 2008.

These condensed consolidated interim financial statements were approved by the Board of Directors on October 28th 2009.

NOTE 2: ACCOUNTING PRINCIPLES

The accounting principles used in the preparation of these interim accounts are the same as those applied to the consolidated financial statements for 2008 and are described therein.

Investments associates are recognised in the consolidated accounts using the equity method. Interests in the joint venture PPG-Devold LLC (50 %) have been recognised in the financial statements of the group by applying proportionate consolidation. Hexagon’s share of assets, liabilities revenues and costs are consolidated item by item.

IAS 1 – Presentation of Financial Statements (revised)

The Group has applied the revised IAS 1 with effect from 1 January 2009. The implementation has resulted in changes in the Group's statement of changes in equity and income statement. According to the revised standard, the statement of changes in equity shall only show details on transactions with owners. Other transactions recognised directly in equity should be presented on a separate line in the statement of changes in equity. In the income statement, these transactions should be shown in a statement of comprehensive income according to IAS 1 under the income statement.

NOTE 3: BOND COVENANTS

Bond loan ISIN NO 001032289.4 2006/2011 issued at 300 mill NOK has the following financial covenants:

- Equity/Capital Employed^{*)} at least 30%
- Senior Debt^{**)} maximum 20% of Capital Employed
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^{*)} Capital Employed equals equity plus interest-bearing debt.

^{**)} Senior Debt is the sum of secured debt and guarantees with higher seniority than the bond loan.

		30.09.2009
Equity/Capital Employed		42.5%
Maximum Senior Debt	119 244	(20.0%)
Actual Senior Debt	47 592	(8.0%)

20 LARGEST SHAREHOLDERS PER 26.10.2009

INVESTOR	TOTAL SHARES	% OF 20 LARGEST	% OF TOTAL	TYPE	COUNTRY
FLAKK HOLDING AS	51 285 988	45.39 %	38.48 %	COMP.	NOR
RASMUSSENGRUPPEN AS	15 268 000	13.51 %	11.45 %	COMP.	NOR
MP PENSJON	12 903 097	11.42 %	9.68 %	COMP.	NOR
BØCKMANN HOLDING AS	11 547 531	10.22 %	8.66 %	COMP.	NOR
SKAGEN VEST	3 100 000	2.74 %	2.33 %	COMP.	NOR
THE NORTHERN TRUST CO.	3 000 000	2.66 %	2.25 %	NOM	GBR
HOLBERG NORGE	2 544 000	2.25 %	1.91 %	COMP.	NOR
SPIILKA INTERNATIONAL	1 999 607	1.77 %	1.50 %	COMP.	NOR
FLAKK KNUT TRYGVE	1 931 248	1.71 %	1.45 %	PRIV	NOR
WARRENWICKLUND NORGE P652	1 321 000	1.17 %	0.99 %	COMP.	NOR
FLYDAL LARS IVAR	1 273 325	1.13 %	0.96 %	PRIV	NOR
STRAFO A/S NIL	1 210 000	1.07 %	0.91 %	COMP.	NOR
TERRA NORGE VPF	1 119 000	0.99 %	0.84 %	COMP.	NOR
DnB NOR SMB VPF	860 000	0.76 %	0.65 %	COMP.	NOR
MOLVÆR IVAR ARVID	800 000	0.71 %	0.60 %	PRIV	NOR
FJELL TORE JOHAN	741 044	0.66 %	0.56 %	PRIV	NOR
YAMBA AS	550 000	0.49 %	0.41 %	COMP.	NOR
FLAKK GRETE	524 000	0.46 %	0.39 %	PRIV	NOR
CAMACA AS	500 000	0.44 %	0.38 %	COMP.	NOR
SAF-INVEST AS	500 000	0.44 %	0.38 %	COMP.	NOR
TOTAL SHARES AMONGST THE TOP 20	112 977 840	100.00 %	84.76 %		
OTHER INVESTORS	20 317 028		15.24 %		
TOTAL SHARES	133 294 868		100.00 %		