

## **THE BOARD OF DIRECTORS' REPORT (Unofficial translation)**

Hexagon Composites has achieved its best ever quarterly result in the first quarter 2009. Operating profit was 21.0 MNOK and profit before tax was 34.1 MNOK. Turnover growth was 36% in relation to the first quarter of 2008.

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

- Ragasco achieved its best ever quarterly result.
- Ragasco entered an agreement with the Daimler Group for the supply of gas tanks for a new Mercedes Benz gas driven vehicle.
- Hydrogen filling stations opened in Oslo and Drammen complete with world-leading gas storage technology from Lincoln Composites and Raufoss Fuel Systems.

For the first quarter Hexagon Composites ASA reported a turnover of 228.0 MNOK (168.0) and an operating profit before depreciation/amortisation, EBITDA, of 34.7 MNOK (19.5) and an operating profit, EBIT, of 21.0 MNOK (9.4).

Ragasco delivered an operating profit of 18.9 MNOK (9.7) in the first quarter. In the high-pressure container business unit (Lincoln/Raufoss) an operating profit of 2.7 MNOK (-0.7) was realised. Within this business unit both Lincoln Composites and Raufoss Fuel Systems reported a positive operating profit. The composite reinforcement business unit (Devold AMT) reported an operating profit of 3.0 MNOK (3.0).

## **BUSINESS AREAS**

### **COMPOSITE CONTAINERS**

#### **RAGASCO**

##### **Turnover and market**

Ragasco achieved a first quarter turnover of 109.0 MNOK (72.7) which is higher than the previous quarter and a significant increase in comparison to the corresponding quarter from 2008.

Despite the problems in the world's economy there remains good demand for Ragasco's containers from both existing and new markets. The same activity levels are expected for the coming quarters as were realised in the first quarter.

The sale of CNG containers to Mercedes Benz B-Class has marginally increased in the first quarter. Growth is expected in this market. Ragasco has, in this quarter, entered a new agreement with the Daimler Group for gas tank supplies for another gas driven Mercedes Benz model.

##### **Production and margins**

Ragasco has, during the first quarter, demonstrated a production capacity of over 1 million LPG containers per year. The margins were negatively affected by the activities supplying CNG containers for the private car market.

##### **Costs and Profit**

Operating profit, EBIT, for the first quarter was 18.9 MNOK (9.7). This is a significant improvement for the company's operational profit compared to the previous quarter.

## **HIGH-PRESSURE CONTAINERS LINCOLN/RAUFOSS**

### **Turnover and market**

This business area reported a turnover of 59.0 MNOK (34.0) for the first quarter 2009. This is a significant increase in relation to the previous quarter and a strong increase in relation to the corresponding quarter in 2008. Raufoss Fuel Systems had strong growth in the first quarter which reflects the improved market situation for CNG buses in Europe. Lincoln Composites' domestic market for CNG busses weakened slightly in the first quarter.

Despite the challenges that the financial crisis brings to potential customers for bulk hauling, there is still strong interest for Lincoln/Raufoss containers and systems for the transport of biogas and natural gas. More contracts are expected during 2009 for the supply of high-pressure containers for transport modules for the road transport of biogas and natural gas

Type approval for Lincoln Composites' TITAN-containers is expected to be in place in selected key markets during the course of the summer 2009. The interest for the product is still great and we expect that interest will be further stimulated by rising oil prices and the corresponding increased interest in the use of gas.

### **Production and margins**

Both Lincoln Composites and Raufoss fuel Systems had positive operating margins for the first quarter. It is expected that fixed costs will remain, as they were in this quarter, at a higher level for the whole of 2009 in comparison to a normal operating year. The main reason for this is the implementation of increased production capacity through the new production line for TUFFSHELL<sup>®</sup> gas containers which will necessitate some doubling up of costs during the ramp-up process.

### **Costs and profit**

The operating profit, EBIT, for Lincoln/Raufoss for the first quarter was 2.7 MNOK (-0.7).

## **COMPOSITE REINFORCEMENTS DEVOLD AMT**

### **Turnover and market**

The business unit achieved a turnover of 60.3 MNOK (62.4) for the first quarter 2009. This is a weakening in relation to the previous quarter and is caused by a flattening of the growth from the wind energy industry.

The company has a leading technological position within hybrid reinforcements (glass/carbon) and other special products which enable the construction of longer windmill blades.

The company's main market is the global wind energy industry. Expectations are reduced for the short term due to the difficulty in the financing of wind-energy parks. The

underlying trend for growth in wind-energy is currently still as strong. It is expected that the governments' extraordinary measures to stimulate the economy in Europe and the United States will provide an extra lift to the wind energy industry in the future.

### **Production and margins**

The Devold AMT business unit had weaker margins in the first quarter when compared with the previous quarter. This is due to a lower sales volume which gives poorer coverage of fixed costs.

### **Costs and profit**

Devold AMT delivered an operating profit, EBIT, of 3.0 MNOK (3.0) for the first quarter.

### **PARENT COMPANY**

Operating expenses amounted to 2.7 MNOK (1.9) for the first quarter.

### **GROUP**

The Hexagon Group achieved a first quarter turnover of 228.0 MNOK (168.0). Operating profit before depreciation/amortisation, EBITDA, was 34.7 MNOK (19.5). The operating profit, EBIT, was 21.0 MNOK (9.4). The profit before tax was 34.1 MNOK (0). The good financial results are due to accounting gains on foreign currency positions, including foreign exchange hedges entered into to secure future earnings, particularly in Euro.

The Group's equity ratio was 27.3 % (27.6 %). Liquidity is satisfactory. The measures that have been implemented in the Group to reduce working capital are expected to have a greater in the upcoming quarters.

The Board is satisfied with the development of Ragasco. The planned 25% increase in production capacity for 2009 will be realised without significant investments. Current market outlook suggests that this capacity increase is necessary in order to satisfy demand growth. The Board expects that positive results will continue throughout the year.

The Board expects that the high-pressure business unit will achieve a result in line with the previous year with a significant result improvement for Raufoss Fuel Systems and a reduced result from Lincoln Composites. The main reasons for this are the planned production capacity increase at Lincoln Composites and that the sales of the TITAN™ tank are expected to have an effect in the second part of the year. There is a degree of uncertainty connected to gas-bus market developments both in the EU and USA towards the end of the year.

The Board notes that the wind energy market will undergo a downturn in 2009 and expects Devold AMT to achieve a relatively weak result this year. However, growth is expected for the wind energy industry again from 2010 and onwards.

Aalesund 13<sup>th</sup> May 2009  
The Board of Directors

## Hexagon Composites ASA - Profit and Loss Statement 1<sup>st</sup> Quarter 2009

(All figures in NOK 1.000)

<b>PROFIT AND LOSS ACCOUNT</b>	<b>31.03.2009</b>	<b>31.03.2008</b>	<b>31.12.2008</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
Operating income	227 973	168 037	767 273
Cost of materials	118 764	89 289	432 394
Payroll and social security expenses	46 534	36 668	123 762
Other operating expenses	27 930	22 572	105 484
Operating profit before depreciation (EBITDA)	34 745	19 508	105 633
Depreciation	13 776	10 104	46 009
Operating profit (EBIT)	20 970	9 405	59 624
Income from investments in associates	1 134	1 411	-9 493
Other financial items (net)	11 965	-10 950	-59 900
Profit/loss before tax	34 069	-134	-9 769
Tax	-9 161	489	-39
Profit/loss after tax	24 907	355	-9 808

### BALANCE SHEET

Intangible assets	125 140	102 440	135 926
Tangible fixed assets	278 659	253 727	279 625
Investments in associates	57 455	67 761	58 087
Other financial fixed assets	873	3 900	649
Inventories	139 133	128 641	145 551
Receivables	202 247	164 923	176 374
Bank deposits, cash and similar	4 931	5 982	9 938
Total assets	808 439	727 374	806 150
Paid-in capital	176 451	173 319	176 114
Other equity	43 876	27 727	24 755
Provisions	29 641	23 808	37 199
Interest-bearing long-term liabilities	309 073	340 772	311 825
Interest-bearing current liabilities	79 136	39 595	60 184
Other current liabilities	170 262	122 153	196 073
Total liabilities and equity	808 439	727 374	806 150

### CASH FLOW STATEMENT

Profit before tax	34 069	-134	-9 769
Depreciation and write-downs	13 776	10 104	46 009
Change in net working capital	-43 384	-12 166	59 730
Net cash flow from operations	4 460	-2 197	95 971
Net cash flow from investment activities	-17 918	-6 947	-73 287
Net cash flow from financing activities	8 451	8 142	-19 730
Net change in cash and cash equivalents	-5 007	-1 002	2 954
Cash and cash equivalents at start of period	9 938	6 984	6 984
Cash and cash equivalents at end of period	4 931	5 982	9 938
Available unused credit facility	72 621	8 078	48 105

### EQUITY RECONCILIATION

Equity at start of period	200 869	203 886	203 886
Profit/loss in period	24 907	355	-9 808
Fair value adjustments, stock based incentives, pension estimates	602	-306	-12 637
Translation effects. Effects from investments in associates	-6 051	-2 889	17 692
Issue of new stock	0	0	1 734
Equity at end of period	220 327	201 046	200 869

### KEY FIGURES

Equity ratio	27.3%	27.6%	24.9%
Equity/Capital employed	36.2%	34.6%	35.1%
Liquidity ratio I	1.4	1.9	1.3
Return on equity (annualised)	47.3%	0.7%	-4.8%
Total return (annualised)	20.6%	4.3%	2.6%
Earnings per share	0.19	0.00	-0.07
Diluted earnings per share	0.19	0.00	-0.06
Cash flow from operations per share	0.03	-0.02	0.72
Equity per share	1.65	1.51	1.51
Interest-bearing liabilities	388 209	380 367	372 009

### Information on Business Areas <sup>1)</sup>:

	<b>31.03.2009</b>	<b>31.03.2008</b>	<b>31.12.2008</b>
<b>Regasco - LPG Containers:</b>			
Operating income	109 021	72 718	326 048
Operating profit before depreciation (EBITDA)	28 624	16 096	76 451
Operating profit (EBIT)	18 877	9 736	47 040
<b>Lincoln/Raufoss - High Pressure Containers:</b>			
Operating income	59 026	34 024	178 282
Operating profit before depreciation (EBITDA)	4 757	742	9 471
Operating profit (EBIT)	2 685	-656	1 836
<b>Devold AMT - Composite Reinforcements:</b>			
Operating income	60 339	62 444	266 504
Operating profit before depreciation (EBITDA)	4 958	5 327	27 263
Operating profit (EBIT)	3 001	2 982	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 1<sup>st</sup> Quarter 2009, which ended March 31<sup>st</sup> 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 31<sup>st</sup> 2008.

These condensed consolidated interim financial statements were approved by the Board of Directors on May 13<sup>th</sup> 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 in 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.

**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<sup>\*)</sup> at least 30%
- Senior Debt<sup>\*\*)</sup> maximum 20 % of Capital Employed
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<sup>\*)</sup> Capital Employed equals equity plus interest-bearing debt.

<sup>\*\*)</sup> Senior Debt is the sum of secured debt and guarantees with higher seniority than the bond loan.

		<b>31.03.2009</b>
Equity/Capital Employed		36.2%
Maximum Senior Debt	121 707	(20.0%)
Actual Senior Debt	96 489	(15.9%)

## 20 LARGEST SHAREHOLDERS PER 12.05.2009

INVESTOR	TOTAL SHARES	% OF 20 LARGEST	% OF TOTAL	TYPE	COUNTRY
FLAKK HOLDING AS	51 285 988	44.99 %	38.48 %	COMP.	NOR
RASMUSSENGRUPPEN AS	15 268 000	13.39 %	11.45 %	COMP.	NOR
MP PENSJON	12 903 097	11.32 %	9.68 %	COMP.	NOR
BØCKMANN HOLDING AS	11 547 531	10.13 %	8.66 %	COMP.	NOR
THE NORTHERN TRUST CO.	3 268 000	2.87 %	2.45 %	NOM	GBR
SKAGEN VEST	3 100 000	2.72 %	2.33 %	COMP.	NOR
HOLBERG NORGE	2 494 000	2.19 %	1.87 %	COMP.	NOR
SPIILKA INTERNATIONAL	2 305 607	2.02 %	1.73 %	COMP.	NOR
FLAKK KNUT TRYGVE	1 931 248	1.69 %	1.45 %	PRIV	NOR
SAF-INVEST AS	1 500 000	1.32 %	1.13 %	COMP.	NOR
TERRA NORGE VPF	1 309 000	1.15 %	0.98 %	COMP.	NOR
FLYDAL LARS IVAR	1 273 325	1.12 %	0.96 %	PRIV	NOR
STRAFO A/S NIL	1 210 000	1.06 %	0.91 %	COMP.	NOR
WARRENWICKLUND NORGE P652	999 000	0.88 %	0.75 %	COMP.	NOR
MOLVÆR IVAR ARVID	800 000	0.70 %	0.60 %	PRIV	NOR
FJELL TORE JOHAN	741 044	0.65 %	0.56 %	PRIV	NOR
YAMBA AS	550 000	0.48 %	0.41 %	COMP.	NOR
FLAKK GRETE	524 000	0.46 %	0.39 %	PRIV	NOR
CAMACA AS	500 000	0.44 %	0.38 %	COMP.	NOR
NBI HF ICELAND	489 500	0.43 %	0.37 %	NOM	ISL
TOTAL SHARES AMONGST THE TOP 20	113 999 340	100.00 %	85.52 %		
OTHER INVESTORS	19 295 528		14.48 %		
TOTAL SHARES	133 294 868		100.00 %		